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# CONTENTS

## PART I: CO-OPERATION AND ASSOCIATION.

### UNITED STATES.

THE ORDER OF PATRONS OF HUSBANDRY ("THE GRANGE"). . . . .	Page 1
I. Origin and Early History. -- Introduction, page 1. -- § 1. Agricultural Discontent and the Movement in Favour of Organisation, page 2. -- § 2. The Origin of the Grange, page 6. -- § 3. The Rapid Growth of the Grange, page 8. -- § 4. The Period of Decline, page 13.	

### GREAT BRITAIN AND IRELAND.

CO-OPERATIVE CREDIT SOCIETIES IN ENGLAND AND WALES. . . . .	Page 17
---	---------

### NORWAY.

SOME FORMS OF AGRICULTURAL CO-OPERATION IN NORWAY . . . . .	Page 23
§ 1. Introduction, page 23. -- § 2. Co-operation Societies for Production, page 25. -- § 3. Co-operative Purchase Societies, page 28.	

NOTICES OF SOME RECENT PUBLICATIONS RELATING TO CO-OPERATION AND ASSOCIATION . . . . .	Page 35
--	---------

## PART II: INSURANCE AND THRIFT.

### AUSTRIA.

THE LOWER AUSTRIA HAIL INSURANCE INSTITUTE, by Dr. G. ROCCA. . . . .	Page 39
§ 1. The System of Direction, page 39. -- § 2. The Insurance Contract, page 42. -- § 3. Technical Organisation, page 44. -- § 4. The Transactions of the Institute in 1913, page 49.	

## PART III : CREDIT.

## ARGENTINE.

AGRICULTURAL CREDIT AND THE NEW LAWS REGARDING WARRANTS AND AGRICULTURAL PLEDGE . . . . .	Page 5
§ 1. Introduction, page 55. — § 2. Law 9643 Concerning Warrants, page 57. —	
§ 3. Law 9644 Concerning Agricultural Pledge, page 59.	

## FRANCE.

ORGANISATION AND WORK OF THE REAL ESTATE CREDIT SOCIETIES . . . . .	Page 6
§ 1. First Laws on the Housing of the People in France, page 62. — § 2. The Law of April 10th, 1908, and its Results, page 65. — § 3. Law of February 26th, 1912, page 68. — § 4. Supervision of the Real Estate Credit Societies, page 71. —	
§ 5. Law of December 23rd, 1912, page 73. — § 6. Law of March 21st, 1913, page 76.	

## ITALY.

1. — AGRICULTURAL CREDIT IN MARCHE, UMBRIA AND LIGURIA . . . . .	Page 7
§ 1. General Provisions, of the Law of the 2nd, January, 1910, on Agricultural Credit in Marche and Umbria, page 78. — § 2. Results Obtained and Requests for the Reform of the Law of the 2nd, January, 1910, page 80. — § 3. Principal Provisions of the Law of the 6th July, 1912, Concerning Agricultural Credit in Liguria, page 82. — § 4. The First Year's Work of the Institute of Agricultural Credit in Liguria, page 85.	
2. — MISCELLANEOUS NEWS . . . . .	Page 8
1. Recent Provisions for Agricultural Credit in Sardinia, page 87. — 2. The Financial Position of the Ordinary Savings Banks at the End of 1913, page 88.	

NOTICES OF SOME RECENT PUBLICATIONS RELATING TO CREDIT . . . . .	Page 9
--	--------

## PART IV : MISCELLANEOUS.

## AUSTRIA.

FARM TENANCY CONTRACTS IN SOUTHERN AUSTRIA . . . . .	
§ 1. Gorizia and Gradisca, page 95. — § 2. Istria, page 101.	

# CONTENTS

v

## RUSSIA.

THE GREAT AGRARIAN REFORM OF 1907-1911 AND ITS RESULTS . . . . .	Page 103
§ 1. The Agrarian Reform of 1861 and its Consequences, page 103. - § 2. The Agrarian Reform of 1906: its Origin and Character, page 106. - § 3. General Outlines of the Great Agrarian Reform, page 109. - § 4. The Executive Authorities and the Work of Carrying Out the Reforms, page 112. - § 5. Work of the Agrarian Commissions: A Statistical Outline of the Results Obtained, page 115.	

NOTICES OF SOME RECENT PUBLICATIONS RELATING TO AGRICULTURAL ECONOMY IN GENERAL . . . . .	Page 117
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# Part I: Co-operation and Association

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## UNITED STATES.

### THE ORDER OF PATRONS OF HUSBANDRY (“THE GRANGE”).

#### I.—ORIGIN AND EARLY HISTORY.

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##### INTRODUCTION.

The Order of Patrons of Husbandry, popularly called the Grange, the most influential farmers' association in the United States, was founded in 1867, and has been in existence therefore for nearly fifty years.

It has had what is in many ways a remarkable history. Founded by a small number of Government clerks in Washington, D. C., the Order achiev-



ed an extraordinary popularity almost immediately, and reached the height of its power at the end of 1874 and the beginning of 1875. Soon afterwards it began to decline — or rather to collapse, and its fortunes reached a very low ebb about 1880.

Since then it has made slow but steady progress in number and in influence, and at the present time is probably really stronger than it has ever been in the past. It has survived unexpected prosperity and sudden adversity, both undeserved, and has conserved unimpaired to the present day the ideals and aims of its founders. This in itself is a remarkable tribute to the acumen of the men who laid the foundations of the Order, and to the usefulness of its work. The Grange in its time has played many parts, for some of which we now know it was ill-suited. The men who direct it have learnt much in the hard school of experience and are content to guide the Order upon safe and conservative lines, working for the social and economic betterment of the farmer and, above all, for his intellectual and spiritual advancement.

We propose in this paper to trace the history of the Order from its inception down to the year 1880. It will be necessary, however, to examine first under what conditions the movement in favour of organisation among the farmers arose, and we shall direct our attention, therefore, to the economic situation of the United States, and in particular, to the position of the farming classes, in the years following the close of the Civil War.

#### § I. AGRICULTURAL DISCONTENT AND THE MOVEMENT IN FAVOUR OF ORGANISATION.

The period from the close of the Civil War in 1865 to the year 1880 was one of widespread agricultural discontent, due to causes some of which were general and affected (to some extent at least) all the different classes in the country, and some of which affected only the farmers. Among the multiplicity of causes which contributed to the discontent, undoubtedly the fundamental cause was the fact that agriculture at the time was threatening soon to become an unremunerative occupation. Following the close of the war there was a sudden expansion in every direction. In agriculture there was an enormous extension of the area of cultivated land, a great increase of population in the frontier farming States, — Minnesota, Dakota, Kansas and Nebraska, and a corresponding increase in agricultural production. The sudden increase in the area of land under farms was due principally to the throwing open of the public lands to settlement. The Homestead Act, passed in 1862, made it possible for each head of a family to obtain a holding on the public domain. In the same year a grant of nearly ten million acres of land was made to the States for agricultural colleges, and much of this land was sold to settlers at merely nominal prices; and in the period of which we are speaking huge grants of land

were made also to the railway companies, whose first object naturally was to dispose of the land to the public at whatever price it would fetch. The acreage of improved farm land in the United States increased 15 per cent. between 1860 and 1870, and 40 per cent. between 1870 and 1880. In the North Central Division (1) the increase in the first decennial period was 49 per cent.; in the second, 74 per cent. In the Western Division (2) the corresponding increases were 119 per cent. and 92 per cent.

The increase in the area of land under cultivation would alone have led to a greatly increased output of agricultural produce: but this was not all. The period was one of great inventions in agricultural machinery and of great improvements in technical methods; and the net result was an enormous increase in the production of the agricultural staples—corn, wheat, and cotton—and a corresponding fall in their prices. In 1866, wheat sold at an average price of \$1.52 a bushel; in 1870 it sold at 94 cents, and in 1880 at 95 cents. Nor were these years exceptional, for in 1869 the average price was only 77 cents a bushel, and it was only one cent higher in 1878. In 1866, cotton fetched an average price of \$97.54 a bale. In 1870, the price had fallen to \$67.23, and it continued to fall almost continuously till 1878, when a bale of cotton sold, on an average, for only \$41.40.

The net position was this: that while between 1865 and 1880 there took place an enormous increase in the number of persons engaged in agriculture and in the amount of capital invested in the industry, yet the total receipts for agricultural produce increased, year by year, but little (if at all) in the same period.

And this, we must remember, was but one of the causes of the discontent among the farmers. The power of the railways, the "monopoly" enjoyed by manufacturers and dealers, the disturbed state of the currency, the high tariff and heavy taxation—all these were grievances which the farmers felt to be peculiarly their own.

Their complaints were perhaps loudest against the railway companies, and certainly in the popular mind the Grange is always associated with the first agitation in favour of Government regulation of railways. It must be admitted that the farmers, and the public generally, had substantial grounds for complaint, although the real nature of the case against the railways was at the time not very clearly understood.

The farmers, in the first place, had contributed in no small measure to the building of the railways, both by subscribing capital directly and by voting in favour of municipal and State loans and grants of land to the companies. They looked to the companies, therefore, to provide them not only with a cheap and rapid means of transport, but with dividends in addition; and they felt that in respect to both of these legitimate expectations they had been unfairly treated. Many of the railways never reached the dividend-paying stage, and the farmers were left with a huge amount of

1. Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Dakota, Nebraska and Kansas.

2. Montana, Colorado, Arizona, Nevada, Idaho, Washington, Oregon and California.

worthless stock on their hands, and were saddled besides with additional taxation to meet the loans which the States and townships had made to the companies.

With regard to the service rendered by the railways, the farmers asserted that the rates charged were unreasonably high, that there was unfair discrimination both between persons and between places, and that free competition was eliminated by the fact that the companies entered into agreements to maintain rates at competing points. They complained, too, that the companies exercised an undue and wholly undesirable influence upon legislators, State and county officers, and other persons in authority. By distributing free passes over the lines to these persons, and to others whose hostility it was advisable to avoid, the companies succeeded in creating in influential circles an attitude favourable to themselves, and were thus generally able to obtain any concessions they desired. In many cases undoubtedly, they secured the goodwill of influential persons by even more direct means, and nothing was more calculated to incense the farmers than the idea that a small group of railway presidents and political bosses had absolute power to fix rates over a huge territory. It was useless for the railway directors to point to the small dividends that their lines were earning. The farmers were convinced that the stock was watered in every case, and probably in the majority of cases they were right. Railways in these early days were constantly passing into and out of the hands of the receiver, merging with other lines, or being transferred from one group of "interests" to another, in such a way as to give unlimited opportunities for manipulating the stock. A line which passed through all or most of these vicissitudes, emerged as reorganised, and it was very frequently found that that part of the capital which the farmers has subscribed had disappeared entirely during the process of "reorganisation."

The farmers' complaints against the dealers and manufacturers related to the question of prices and credit. New machinery was being invented and new methods of farming were coming into use. Each farmer had absolute need of the new machines, and of commercial fertilizers and other material for his farm. Farm supplies were generally sold through agents and on credit, and the farmers complained that the interest charged for the credit afforded was exorbitant, that the agents made huge profits although their work was "unproductive"—the farmers were inclined to believe that the term applied to all work except farming, — and that the manufacturers, protected by patents, enjoyed a legal monopoly and exploited the farming classes.

And again the farmers had a good deal of reason upon their side, though they sometimes overstated their case. There were a great many scandals connected with patent rights and their renewal, and the manufacturers succeeded in foisting a huge amount of worthless machinery upon the farmers while the latter as a class were as yet very inexpert in the matter of machinery of any kind. Moreover, the fact that the farmers, after the foundation of the Grange were able by collective bargaining to secure substan-

tial reductions, amounting often to from 25 to 50 per cent. in the prices of farm and household supplies of all kinds, is at least an indication that ruling prices had previously been unfairly high.

The disturbed state of the currency and the high taxation, both of which were legacies from the war, were fruitful causes of discontent throughout every class in the country, though the farmers were inclined to think that they suffered more than other classes. In so far as they were large borrowers, the currency changes did affect them in a special degree.

During the period of which we are speaking the paper currency, measured in terms of gold, was rapidly appreciating, and this had the effect of increasing the burden of debt upon the farmers. Debts incurred in heavily depreciated paper currency had to be repaid in currency of greatly increased value (1).

With respect to the burden of taxation the farmers were in much the same position as other classes in the community, though in the case of State and local taxes, which were practically all direct taxes on real and personal property, the farmers thought that while their property, being clearly in sight, was invariably taxed at its full value, much personal property in the possession of corporations and private individuals in towns escaped taxation altogether. National taxation was levied principally by heavy duties on imported goods, and the high tariff (imposed first as a war measure but continued after the war to protect America's infant industries) obliged the farmers to pay enhanced prices for manufactured articles, while it offered them no compensation in the form of higher prices for agricultural products. Year after year the supply of such products exceeded the demand, and the prices which the farmer received were determined by the price which the surplus would fetch when thrown upon the world's markets.

We have seen, so far, that at the close of the Civil War the American farmer was thoroughly dissatisfied with his economic position and prospects. He was at least equally dissatisfied with his political and social position, and complained loudly that he was not fairly represented either in Congress or in the State legislatures. During the war, the mercantile and manufacturing classes of the North had gained upon and passed in political importance the agricultural classes, represented by the Southern planters. The farmers felt the loss of their position the more because the planter class

(1) The average annual value (in gold) of \$ 1.00 currency from the suspension of specie payments in 1863 to resumption in 1875 was as follows :

Fiscal year	Value \$	Fiscal year	Value \$
1863 . . . . .	72.0	1871 . . . . .	88.7
1864 . . . . .	64.0	1872 . . . . .	89.4
1865 . . . . .	49.5	1873 . . . . .	87.3
1866 . . . . .	71.2	1874 . . . . .	89.3
1867 . . . . .	70.9	1875 . . . . .	88.4
1868 . . . . .	71.5	1876 . . . . .	87.8
1869 . . . . .	72.7	1877 . . . . .	92.7
1870 . . . . .	81.1	1878 . . . . .	97.5

had been conspicuous for the ability of its members and for the power it wielded just before the war.

There can be no doubt but that the farmers resented keenly their diminished political and social prestige. They knew that they outnumbered any other class in the community, and yet felt that they were being forced into a position of inferiority. Their weakness, they concluded, lay in the fact that they were unorganised, and a widespread movement arose in favour of organisation. There had been signs of the movement even before the war and a Farmers' Convention held at Centralia, Illinois, in 1858, may be said to mark its beginning. The resolutions passed at that convention indicate that in 1858 agricultural discontent was already making itself felt, and that the causes were mainly economic. Resolutions were passed declaring that crises were the result of the operations of middlemen and speculators, and demanding that direct relations be established between producer and consumer. The Centralia convention was the first of a series of such conventions. Others were held at Bloomington, Ill., in 1869, at Washington, D. C. in 1872, at Springfield, Ill. and Chicago in 1873. Meanwhile, however, the Grange had been founded, and we shall see how the farmers' aspirations became centred in this remarkable organisation.

## § 2. THE ORIGIN OF THE GRANGE.

The Grange was founded as a secret fraternal order in December, 1867, in Washington, D. C., by Oliver Hudson Kelley who was at the time a clerk in the Government service. Early in 1866, upon the request of the United States Commissioner of Agriculture, Kelley made a tour through the Southern States for the purpose of collecting information as to their agricultural resources and drawing up a report thereon. He was a man of quick and ready sympathy and of fertile imagination, and the sight of the ruined buildings, the neglected fields, and all the devastation caused by the war affected him keenly. So, too, did the discontent and bitterness of spirit which he found among the farmers, and during the tour itself he conceived the idea of a fraternal organisation for the men and women directly interested in cultivating the soil, which should unite North and South in building up the fortunes of agriculture, the industry upon which the progress of the country so largely depended.

Kelley was a Mason, and he immediately communicated his ideas while they were still indefinite to two of his colleagues and brother Masons in Washington, — W. M. Ireland and John Trimble. These three, in collaboration with four other men, — William Saunders, John R. Thompson, Francis M. McDowell and the Rev. A. B. Grosh — elaborated the scheme, framed a constitution, compiled a ritual, and finally brought the organisation into being by constituting themselves the "National Grange of the Patrons of Husbandry", with O. H. Kelley, who was the moving spirit throughout, as Secretary. The founders, in fact, formed themselves into a central controlling body, and Kelley, who seems to have been endowed with indomit-

able energy and inexhaustible powers of resource, undertook the task of creating an organisation for the central body to control.

The constitution of the Order provided for the formation of subordinate and State "Granges." It had first been proposed to call the individual organisations "Lodges," but fortunately the distinctive name which has become so well known was ultimately selected. Each subordinate Grange was to consist of at least nine men and four women, and fifteen subordinate Granges in any State might apply for the organisation of a State Grange.

The Order was to be a secret one, and the founders compiled an elaborate ritual which in its final form, — it was not completed until the National Grange had been in existence for some years, — provided for the constitution of seven degrees, of which the first four could be conferred by the Subordinate Granges, the fifth was to be conferred by the State Granges, and the two highest by the National Grange. These are the degrees still recognised and conferred. When the Grange was at the height of its popularity there was a strong movement among the members for the abolition of the higher degrees, but the only result was that these degrees were rendered somewhat less exclusive. The four subordinate degrees for men are distinguished as: Laborer, Cultivator, Harvester and Husbandman; and the corresponding degrees for women as: Maid, Shepherdess, Gleaner and Matron. The fifth degree is "Pomona"; the sixth, "Flora"; and the seventh (the highest) "Demeter" or "Ceres". The fifth degree is conferred by the State Granges upon the "Masters" of Subordinate Granges, and their wives if Matrons. The sixth degree is conferred by the National Grange upon the Masters of State Granges. Members of the sixth degree constitute the National Council, and a member who has served for one year upon the National Council is entitled to take the seventh degree and become a member of the Senate of the Order.

The fact that the Order is a secret one seems to have no particular significance. One well-informed writer (1) who is a member of the Grange says that the Order is secret mainly in the sense that it has a secret ritual, not guarded with much care, and passwords changed at regular intervals. Further, he explains that there is an "economic reason" for the ritual. The members pay small dues upon initiation into each degree, and this is practically the only means of securing an income to meet expenses. The dues are trifling, but they are regular, and we shall see presently that, in the early days of the Grange, the device was a huge financial success.

Kelley and his friends had constituted themselves the National Grange of the Patrons of Husbandry on December 14th, 1867. Saunders was elected "Master" while Thompson took the office of "Lecturer". Kelley became Secretary, with his niece Miss Caroline A. Hall as his assistant. The founders were still at work upon the preparation of the ritual and had not yet decided with anything like precision what objects were to be included in the programme of the new Order. From a circular issued by the National

(1) Edward F. Adams: *The Modern Farmer*.

Grange in 1870 (1) we learn that the Grange was intended, first, to promote social relations among the farmers and secure association "for individual improvement and common benefit" and that the advantages it offered included "systematic arrangements for procuring and disseminating, in the most expeditious manner, information relative to crops, demand and supply, prices, markets and transportation throughout the country; also for the purchase and exchange of stock, seeds, and desired varieties of plants and trees, and for the purpose of securing help at home or from abroad, and situations for persons seeking employment; also for ascertaining and testing the merits of newly invented farming implements, and those not in general use, and for detecting and exposing those that are unworthy, and for protecting, by all available means, the farming interests from fraud and deception and combinations of every kind."

Immediately after the establishment of the National Grange, Kelley formed a subordinate Grange in Washington which served as a kind of school of instruction and gave the founders an opportunity of practising and testing the ritual.

In November, 1867, three hundred printed circulars had been sent out to farmers and as a result Kelley had begun to correspond with a number of people who were interested in the new farmers' organisation. A second circular was sent out early in 1868 and a beginning was made in the direction of advertising the Grange by means of letters to the newspapers. In February, 1868, Kelley resigned his position in the Post Office Department to devote himself entirely to the task of organising the Grange. It had been laid down that the National Grange was to issue "dispensations" for the formation of subordinate Granges and charge for each dispensation a fee of fifteen dollars. Kelley after some correspondence conducted from Washington decided that the time was opportune for propaganda among the farmers, and determined to set out for Minnesota, where his home was and organise Granges upon the way. The National Grange met, and in addition to furnishing him with a letter of authority voted him a salary of two thousand dollars a year and travelling expenses, to be paid out of its fees (if any) which he collected from the sale of dispensations.

We shall see next how he succeeded in his mission.

### § 3. THE RAPID GROWTH OF THE GRANGE.

Kelley from the outset was left very much to his own devices, which perhaps was fortunate, though he complained at the time of the apathy of his co-founders in Washington. On his trip to Minnesota he disposed of four dispensations for the foundation of subordinate Granges, but only one of these Granges ever came into being. This was the Grange of Bedford, New York, the first in the country to be regularly established according to the constitution and rules drawn up by the National Grange. Kelley remained

(1) Reprinted in DARROW: *Origin and Early History of the Order of Patrons of Husbandry*, pp. 21-22.

ed at his home in Itasca, Minnesota, for some time, endeavouring by writing and by interviewing people to work up interest in the Order. He had made a false move at the start by trying to introduce the Grange into the towns, but he soon saw his error and began to address the farmers directly, enlisting the services of agricultural papers such as the *Prairie Farmer* of Chicago, the *Farmers' Union* of Minneapolis, and the *Rural World* of St. Louis. The circulars which had been written were revised and emphasis was laid upon the opportunities offered by the Grange for collective action among farmers in purchasing stock, machinery, etc., in testing the merits of new implements and machinery, and in establishing depots for the sale of produce. This appeal was successful. Granges began to spring up in Minnesota, and the first State Grange was established in that State in February, 1869. Shortly after its foundation this Grange appointed a purchasing agent for the co-operative purchase of agricultural machinery and supplies. It is worth noting, in view of the history of the purchasing agent system, that the members in Minnesota took this step without the sanction of the National Grange. The example of Minnesota was followed by other State Granges as they came into existence and collective purchases by the Order of supplies of every kind soon reached huge proportions and attracted an enormous amount of attention. But the so-called purchasing agent system had been hastily conceived. The agents in most cases were men without even the pretence of a business training, and their incapacity in the handling of comparatively simple business transactions served in the end to bring the Grange into discredit. We are to some extent anticipating the history of the Order, and the first result of the appointment of purchasing agents was to arouse interest in the movement.

For another two years, however, progress was slow although there were not wanting signs that public interest was growing, and Kelley was writing to people of all kinds. In March, 1869, he left Minnesota upon a visit to the Eastern States, and on April 13<sup>th</sup> of that year the National Grange held its first annual session in Washington. "It listened to the report of the Secretary on the work accomplished, enacted a few laws for the regulation of the Order, and then relapsed into inactivity." (1)

Kelley returned to Minnesota, but from his home as centre he made constant trips into various States. He visited in turn, Iowa, Illinois, Indiana, and Ohio, and succeeded in founding a few successful Granges in each of these States. He showed wonderful ingenuity as an organiser. He was not a successful speaker: but he seems to have had the knack of picking out the right men to help him in each locality, and he did not hesitate to stimulate the enthusiasm of the local leaders by referring frequently, in tones of exaggerated respect, to the National Grange in Washington, — the central directing body of the Order. His plan was to start a few active Granges in a State and then organise a temporary State Grange, the Master of which would appoint deputies to organise Granges in different



districts. The deputies received travelling expenses and a fee of from five to fifteen dollars for each Grange organised.

The initiation fee was usually three dollars for men and fifty cents for women. Out of the fees collected from the first members, — who are known in the Order as "charter" members, — the sum of fifteen dollars was paid to the National Grange; the deputy's dues were paid; and the remainder went into the treasury of the new Grange. In some cases the State Grange also levied a small fee upon each subordinate Grange founded.

By the end of 1870, Kelley and the deputies has succeeded in establishing 71 Granges in nine States. (1) No less than 47 of the Granges were in Minnesota which had also the only active State Grange. During 1871, the Order was extended into seven other States (2); one hundred and thirty-two subordinate Granges were founded, and two additional State Granges were established, in Iowa and Wisconsin. In this year the movement made enormous progress in Iowa and at the end of the year that State headed the list with one hundred and two Granges. Minnesota added only some seven Granges during the year.

In the following year the Grange made more vigorous progress and 1,150 new Granges were organised, of which more than half were in Iowa. The North Central group of States was the stronghold of the Order, but it was well represented in South Carolina and Mississippi, and it had been introduced in the West into both California and Oregon, so that it had already some claim to be considered a national farmers' organisation. Interest in it was becoming much keener, chiefly because Kelley and the men who were working with him were beginning to hold out to the farmers the promise of pecuniary advantages to be gained by membership. As early as 1870 Kelly had noted the anti-railway feeling among the Illinois farmers and, through the help of the editor of the Chicago *Prairie Farmer*, had made use of this feeling as an argument for organisation. In 1872, the business agent of the Iowa State Grange was attracting attention by his success in conducting co operative buying and selling transactions for the members. In the South the movement had met with considerable opposition from commission men and local merchants, and such opposition naturally proved an effective advertisement for the Order. "Co-operation!" and "Down with monopolies!" became popular watchwords which attracted into the Grange ranks a very large number of farmers suffering from a vague discontent against railway companies, manufacturers and selling agents.

The period of most rapid expansion and of widest popularity, however, was still to come, and before it arrived an important change was made in the organisation of the Order. In January, 1873, Kelly convened the sixth annual session of the National Grange in Georgetown, D.C. and at this session the founders resigned in a body. A new set of officers was elected; the constitution and by-laws were revised; and the Order, free of debt and in a flourishing condition, passed into the control

(1) Minnesota, Iowa, Indiana, New York, Missouri, Ohio, Tennessee and California.

(2) Wisconsin, Pennsylvania, South Carolina, Mississippi, Vermont, Kentucky and New Jersey. •

of representatives of the farmers. In addition, the Order was given a definite legal status as a corporation registered under an act of Congress of 1870. The certificate of incorporation is dated January 10th, 1873, and is signed by six out of the seven founders. Savnders, who had been Master of the National Grange since its foundation, resigned that Office but continued to serve upon the Executive Committee. Kelley was reappointed Secretary with his niece Miss Hall as "Lady Assistant Steward."

During 1873, the number of Subordinate Granges in the whole country increased from 1,362 to 10,029, and the number of State Granges from 10 to 32. More than a thousand State deputies were engaged in the work of organisation, and (except perhaps in the North Atlantic States) the farmers were enthusiastic in supporting the Order. In October, 1873, there were only 92 Granges in the North Atlantic States (1), as against 578 in the South Atlantic group, and no less than 5,671 in the North Central group. Even in the sparsely populated Western States there were, at the same date, 135 Granges in existence.

The fact that farmers in the North Atlantic States remained for the most indifferent to the movement indicates to what extent economic considerations had become of primary importance within the Order. The farmers in the East were already suffering from the opening up of new lands in the Centre and West, and they were naturally out of sympathy with what was at the time one of the principal objects of the Grange, namely, the reduction of the cost of transport of agricultural produce from the North Central States into the markets of the East. Later on, when the eastern farmers had taken up dairy-farming and market-gardening and thus escaped, to a great extent, from the pressure of the competition of the new lands, and when, also, the Grange had returned to its original ideals of social and educational betterment, the Order made good progress in the North Atlantic States.

It is generally agreed that the seventh annual session of the National Grange held in St. Louis from February 4 th to 12 th, 1874, marks the culmination of the progress and influence of the Order (2). In the next year the

(1) Maine, New Hampshire, Vermont, Massachusetts, Connecticut, New York, New Jersey and Pennsylvania.

(2) In this connection the following figures are interesting. They show the number of new Granges organised monthly from January, 1873, to September, 1876, inclusive.

	1873	1874	1875	1876
January . . . . .	158	2116	306	104
February . . . . .	338	2230	289	108
March . . . . .	669	2024	304	117
April . . . . .	571	1487	309	88
May . . . . .	696	937	242	58
June . . . . .	923	752	170	45
July . . . . .	611	410	145	32
August . . . . .	820	306	125	21
September . . . . .	917	412	89	72
October . . . . .	1050	410	92	
November . . . . .	974	363	103	
December . . . . .	1235	383	100	

decline had already begun, but throughout the whole of 1874 the power of the Grange was immense and its prestige seemed unassailable.

At this session, which was attended by forty-five delegates, twelve of whom were women, a "Declaration of Purposes" was drawn up and adopted. It is a somewhat rambling document but is interesting as the first authoritative statement of the Grange programme. It declared the duty of all Patrons of Husbandry to be to labour for the good of their Order, their country and mankind, following the principles expressed in the motto: "In essentials, unity; in non-essentials, liberty; in all things, charity." (1) Then followed a list of specific objects, and the exposition of some rather vague guiding principles. Patrons bound themselves to work to increase the comfort and attractions of their own homes, and for the maintenance of the laws, the reduction of expenses, co-operation in buying and selling, and the diversification of crops. They declared themselves opposed to "the credit system, the fashion system, and every other system tending to prodigality and bankruptcy."

The Declaration stated that the Patrons waged no warfare against other interests and were not enemies to capital, but were nevertheless in favour of reducing the number of middlemen and were opposed to the tyranny of monopolies, to high rates of interest, and to exorbitant profits in trade.

The progress of education, and especially of agricultural and technical education, was declared to be one of the most important objects of the Order.

Some changes in the constitution were made at the same session. The State Granges and the National Grange were made more strictly delegate bodies, and provision was made for the formation of District or County Granges which, it was intended, should develop the business side of the Order and direct its educational activities. In addition, the article relating to membership was changed to read: "Any person engaged in agricultural pursuits *and having no interest in conflict with our purposes*, of the age of sixteen years, is entitled to membership." The circumstances which made the last amendment necessary were somewhat curious. The Order, as founded, had been open to all persons interested in agriculture, but when the Grange began to make rapid progress and to acquire both economic and political importance, a large number of people succeeded in entering the Order who were obviously out of sympathy with its aims. Thus, the Boston Grange, organised in August, 1873, was composed almost entirely of grain dealers and commission men. As it was part of the Grange teaching that dealers and middlemen of all kinds were in the main superfluous, the formation of the Boston Grange raised a storm of protest from other Granges, and its dispensation was revoked. Similarly the dispensations of a number of other Granges were revoked on the grounds of the ineligibility of their members.

(1) This is not it may be remarked the official Grange motto, though it is one which is frequently quoted and approved in proceedings of the Order. The official motto is "For perpetua."

In February, 1874, when the seventh annual session was held, there were over ten thousand subordinate Granges in the United States and the total membership of the Order was somewhere about half a million. On March 1st, the number of Granges had increased to over fourteen thousand; on September 1st it had reached twenty thousand; and at the end of the year there were more than twenty-one thousand subordinate Granges in at least nominal activity. But the wave of prosperity had by this time spent its force, and immediately afterwards it began to recede.

#### § 4. THE PERIOD OF DECLINE.

What occurred between 1875 and 1880 was really more than a decline in the fortunes of the Patrons of Husbandry: it was something like a total collapse of their Order. Figures as to membership after 1876 are lacking, but a sure index of the number of members is available in the amounts paid in annual dues to the National Grange. In 1875, these dues amounted to almost forty-three thousand dollars. By 1880, they had fallen to just over six thousand, representing probably some four thousand Subordinate Granges and about a hundred and fifty thousand members, all told. In October 1875, the membership had been 758,767, and earlier in that year the numbers had probably been even higher. (1)

The causes which led to this sudden fall from popularity are now quite clear. The decline was to a great extent the natural reaction from a too sudden prosperity, and revealed the fact that the rapid growth of the movement had been largely unsound. The Grange had been founded by a number of able, clear-sighted, conservative men who had warily at heart the good of their country, slowly recovering at the time from the effects of a terrible war, and who sincerely wished to advance the interests of the farming classes, — materially and morally, but especially morally. The Order thus founded achieved a popularity which it would be idle to pretend was due solely to the attractiveness of its sober programme of industry, thrift, just dealing, neighbourliness and self improvement.

The fact is that the Grange appeared upon the scene at the right moment, when the idea of organisation had been in the air for some time; it adopted a novel form of organisation and novel methods of extending the Order; and it made a strong impression upon a great many people by keeping secret its internal administration. Thousands joined the Grange while it was extending rapidly, without any reference to its programme and merely because it was a farmers' organisation, each new member looking to it to secure the removal of his own particular grievances.

(1) The number of Granges at least had been considerably higher. On January 1st, 1875 there were 71,007; on October 1st the number had already fallen to 15,000.

The method of organising through deputies upon the principle of "payment by results" was thoroughly bad, although it was a huge financial success. It led to a great many people becoming members of the Grange who not only had no interest in common with the Order but who had interests directly opposed to its declared objects. Mention has been made of the Boston Grange which was composed of grain dealers, but the people who really did most harm to the Grange were the unscrupulous politicians who identified themselves with it in the hope of making it serve as a party weapon. These, after assiduously cultivating the goodwill of the Order while it was in high favour, were the first to cut themselves loose from it at the first hint of waning enthusiasm among the farmers. To these must be added the much larger group of people who had joined the Grange merely because of the novelty of its methods of organisation, and who naturally dropped out as soon as the novelty had worn off.

But there was a deeper cause for the dissolution of the Grange. This was the sudden and complete collapse of all its co-operative schemes. In 1871 and '75 co-operative trading became a positive mania with the Patrons. Co-operative buying had proved really successful in Iowa almost from the foundation of the Order in that State, and Patrons all over the country wanted to follow the example of the Iowa State Grange. They overlooked the fact that, as all the farmers in Iowa raised grain, the problem of buying supplies for them was a simple one. State and County Granges in every part of the country rushed into co-operative schemes. Buying and selling agencies were established; co-operative flour-mills, elevators, tobacco and grain warehouses were built or leased; patent rights were bought up, and arrangements were made for manufacturing within the Order all the machinery which the members required. The Executive Committee of the National Grange at one time entered into negotiations with certain co-operators in England and it was agreed to found a company to be known as the "Anglo-American Co-operative Company" which was to establish warehouses in the seaboard States and supply every article of clothing and every farm implement needed by the Patrons at a discount of 10 per cent. — the Grange subscribing one hundred and twenty-five thousand dollars towards erecting the warehouses. Fortunately, before the scheme was completed the failure of a number of local enterprises cooled the enthusiasm of the leaders, and the National Grange, which had been making experiments in co-operative buying, began to issue warnings to the State Granges to proceed more slowly in the matter of co-operation.

The warning came too late. The State Granges finding themselves with large funds at their disposal had launched into enterprises of all kinds on their own account, in addition to granting liberal subsidies to the co-operative ventures of their subordinate Granges. A few of the schemes were sound; the majority never had any prospect of succeeding, and served merely to deplete the Grange of funds and bring the Order into ridicule. The New York Grange started a "State Women's Dress Agency", but the Patrons were disloyal and bought their dresses elsewhere, and the Agency came to an untimely end. One enterprise after another ended in disaster. Subor-

inate and County Granges hastily dissolved lest they should be held responsible for the debts of the State Grange, and in some cases (in Nebraska and Arkansas, for example,) the whole Grange organisation collapsed. On every hand people were loud in disavowing all connection with the Patrons of Husbandry.

Another cause contributed powerfully to bring the Order into discredit, namely, the failure of the anti-railway agitation of 1874 and 1875, which had for its object the regulation of the railways by the State and the reduction of the rates charged. The agitation began in Illinois and was conducted by the "State Farmers' Association" an organisation quite distinct from the Grange. The local units of the "State Farmers' Association" were known as "Farmers' Clubs", and though the National Grange and many State Granges declared that they were in no way hostile to railways, yet a great many of the Grangers were at the same time members of the Farmers' Clubs and the agitation is generally known as the "Granger movement." Illinois was the first State to pass a law regulating the rates which railways might charge and restricting the freedom of action of the companies in a number of ways. By 1874, seven States had passed similar laws, — the so-called "Granger" laws, — some of which seemed designed to crush the railways out of existence. The validity of the whole of this legislation was impugned, but the Supreme Court upheld the States and declared the Granger laws valid. The farmers' legal victory, however, availed them nothing. By the time the Supreme Court had arrived at a decision scarcely one of the statutes in dispute was still in force. The railways, hampered by restrictions, had ceased to pay dividends; capitalists refused to invest money in the companies; no new lines were built, or even projected; and the service was reduced as far as possible in order to cut down costs. One State after another hastily repealed the Granger laws, and the men who had been prominent in passing them retired from public life discredited. Much of the odium of the agitation fell, not altogether unjustly, upon the Grange, and hastened its collapse.

Returning to the official acts of the Order we find the National Grange taking a very unwise step in its annual session held at Charleston in 1875. At that session it was decided to distribute \$55,000 of National Grange funds among the subordinate Granges. Nothing could have been more ill-advised, for the only result was to weaken the National Grange without benefiting in the slightest degree the subordinate Granges, — each of which received about \$250. This step damaged the Order morally even more than materially, by revealing to the outside public the fact that there was dissension within the ranks. The agitation for the distribution of the funds was led by the newly-joined members who had but little interest in the permanent welfare of the Order, and were jealous of the power wielded by the National Grange and by the members who had risen to the higher degrees. It was proposed, in the same session, to abolish the higher degrees entirely upon the ground that they were contrary to the true spirit of democratic government which should rule in an American institution. Fortunately for the future good guidance of the Order this proposal was defeated, though

the higher degrees were made more accessible, — a change of no great moment.

We have already shown to what extent the strength of the Order declined between 1875 and 1880. Actually the lowest point in the fortunes of the Patrons of Husbandry seems to have been reached in 1879, for the dues paid into the National Grange in 1880 already showed a considerable advance over the previous year. For some ten years the Order remained almost inactive and then a period of renewed prosperity began.

We shall deal with the later progress and work of the Order in a subsequent paper.

*(To be continued)*

## GREAT BRITAIN AND IRELAND.

### CO-OPERATIVE CREDIT SOCIETIES IN ENGLAND AND WALES.

#### OFFICIAL SOURCES :

THE JOURNAL OF THE BOARD OF AGRICULTURE, December 1911; January 1911 and March 1913.

#### OTHER SOURCES :

OLIVER (Sir Sydney), K. C. M. G. : *Agricultural Co-operation and Credit*. In the *Contemporary Review*, March, 1914.

REPORTS OF THE AGRICULTURAL ORGANISATION SOCIETY for the Eighteen Months ended June 30th, 1912, for the Nine Months ending March 31st, 1913, and for the Year ended March 31st, 1914.

Compared with the progress of other forms of agricultural co-operation in England and Wales the progress of agricultural co-operative credit has been disappointingly slow. In spite of the earnest advocacy of Mr. Henry W. Wolff and other writers and of an active propaganda conducted first by the Agricultural Banks Association and afterwards by the Agricultural Organisation Society and latterly supported by the Board of Agriculture, the number of co-operative credit societies still remains small and their total business comparatively trifling.

It was expected that with the increase in the number of small holdings through the operation of the Small Holdings and Allotments Acts, there would be an increase in the demand for credit societies and to some extent this anticipation has been justified. For the progress in recent years has been slightly accelerated.

In 1908, seven societies were formed ; in 1909 ten ; in 1910, ten ; in 1911, six ; in 1912, six, and in 1913, eight. The actual number of societies did not, however, increase at this rate, since a certain number never did any business and were dissolved.

In 1910 the number of societies was nominally 49, but the number of working societies (that is societies which granted loans or received deposits) was only 21. In 1912, there were 46 societies on the Register, of which only 30 were working. In 1913, the number of registered societies increased to 53, but the number of working societies remained the same as in 1912.



Taking account only of the working societies we have the following comparative statement for 1910, 1912, 1913. (The corresponding figures for 1911 are not available).

*Summary of Working of Credit Societies in 1910, 1912, 1913.*

Year	Working Societies	Members	Loans granted during year		Deposits received	Profit to end of year
			Number	Amount		
				£	£	£
1910 . . . . .	21	536	119	1,390	237	253
1912 . . . . .	30	723	197	2,025	332	297
1913 . . . . .	30	796	165	1,832	521	323

In 1913, 26 societies made loans to their members and 9 of these also obtained deposits. Three societies received deposits but made no loans. The total deposits held at the close of 1913 amounted to £1,225, which is 55 per cent of the total outstanding loans, £2,221. The usual rates of interest paid on deposits are 3 and 4 per cent. For bank overdrafts 4 and 4½ per cent are the common rates. As the societies usually charge only 5 per cent on loans to members, the annual profits are very small and a proper reserve is not built up.

It will be interesting to note the reasons why, in the opinion of those who have studied the question, the progress of co-operative agricultural credit in England and Wales has not been more rapid.

Amongst those who have written on the subject is Sir Sydney Olivier, K. C. M. G., the Secretary of the Board of Agriculture and Fisheries who contributed an article entitled "Agricultural Co-operation and Credit" to the *Contemporary Review* of March, 1914. In this article Sir Sydney said:

"The branch of agricultural co-operation which has, perhaps, attracted lately more general interest than any other, among students of the co-operative movement, is that concerned with agricultural credit, specially identified with the Raiffeisen banking system; though there are other important varieties. The development of co-operative banking in England and Wales has been small, whilst in Germany and other Continental countries it has been enormous. I frequently encounter indications of a feeling amongst those who are seeking means to improve the conditions of rural life, that agriculture in England must be suffering from the absence of a corresponding development here, and strenuous efforts have been made to diffuse understanding of its advantages. But the fact is that the clientele of the special character for which co-operative banking is most helpful is smaller in England in comparison with the general body of farmers even than the class for whom other forms of agricultural co-operation have

proved effectually attractive and proportionately less than in any other European country.

"Almost every farmer of substance and reputation sufficient to enable him to obtain the tenancy of a farm can get such credit as he requires, on not very onerous terms, from a Bank (1). If he does not get an overdraft at his Bank, he may get advances from dealers to whom he will sell his produce. For implements and supplies he can get long credit from the vendors. The great majority of our farmers are not in so small a way of business as to be driven into co-operation as a *sine qua non* of credit, as peasant proprietors very generally are; nor are they, as is the peasant proprietor almost everywhere, oppressively and usuriously dealt with by those who lend them money on the expectation of their crops, or give them long credit for goods, though this dependence is far from thrifty. And as they do not own the land they farm, or the buildings on it, they cannot contribute the security which is the basis of the credit of a Land Bank."

In its Report for 1911-12 the Agricultural Organisation Society noted that the principal difficulty experienced by credit societies was that of obtaining the necessary capital to meet the requirements of their members and expressed the hope that when that difficulty was satisfactorily met, credit societies would increase in England and Wales as rapidly as they had done in other countries.

With the object of facilitating "registered co-operative credit societies, consisting mainly of small holders and allotment holders" in obtaining capital and otherwise assisting their formation and working the Board of Agriculture entered, in January 1913, into an arrangement with twenty large banking companies, having numerous branches in rural districts.

The principal clauses of the understanding were as follows:

"The banks named are willing that the manager of any of their country branches should have permission to assist in the formation of such a society; with liberty to give advice to its officers on matters of book-keeping; and to take part, when requested, in the audit of the annual return without remuneration. They will also favourably consider the acceptance by their managers of the post of unpaid Treasurer, provided that it does not involve membership of the Society.

"These banks are prepared to allow to such a society as good rates as possible for money in their hands.

"They will also be prepared to give favourable consideration to applications from such societies for advances, but will require in each case to be satisfied as to the security for the loan, and although they will require it to be made repayable on demand, they will in general practice be ready to lend for twelve months, and the loan will then be subject to repayment, renewal or reduction. If satisfied that the joint liability of the members of the society under its rules constitutes an adequate security for a proposed

<sup>1</sup> That is to say, from a capitalist bank, either a private banking firm or more generally a joint stock bank.

loan, the bank will require no further guarantee for its repayment. In considering the question of security it should be borne in mind that, under the model rules for a society registered under the Friendly Societies Act, every member of the Society is, equally with every other member, jointly and severally liable for all debts incurred by the society.

"The rate of interest to be charged on approved advances to such societies will be a favourable fixed rate, subject to a year's notice of alteration."

The Report for 1912-13 of the Agricultural Organisation Society contains a statement of the reasons which "may be advanced as affording a partial explanation of the comparatively small progress made." They are as follows:

"(1) The fact that the rural districts of England and Wales are not burdened by the usurer to the same extent as in many foreign countries and Ireland.

"(2) The extent to which England and Wales are served by joint stock banks as compared with continental States.

"(3) The unpopularity in England of the principle of unlimited liability.

"(4) The unwillingness of the average farmer and small holder to disclose his financial position to his neighbours when he wishes to borrow.

"(5) The general custom of merchants to give long credit to agricultural customers.

"(6) A general preference on the part of cultivators to obtain goods on credit rather than to borrow actually in cash.

"(7) Lack of enthusiasm on the part of the class of men required to undertake the responsibility of acting on committees and the scarcity of keen and properly qualified men to act as secretaries.

"(8) The difficulty of financing societies if formed."

Examining these points in greater detail the Report continues:-

"(1) The need for credit facilities undoubtedly exists, but England (in Wales, perhaps, the conditions are somewhat worse) does not groan under the intolerable yoke of the worst kind of village money lender to any thing like the same extent as do other countries. In these the Raiffeisen principle has come as a relief to an urgent necessity and therefore has been welcome.

"(2) With the single exception of Scotland, England for the number of inhabitants is served by a greater proportion of joint stock banks and their branches than any other country in the world. Generally speaking, the country branches of the joint stock banks to a certain extent undoubtedly do enable cultivators to obtain loans on reasonable terms -- both with regard to the rate of interest charged and the nature of the security demanded.

"(3) Experience shows that in England there is great hesitation to take part in a scheme which entails no limit to the liability of individual members. The fact that the liability under the Raiffeisen system is really only nominally unlimited is a point which is not readily appreciated in a

country where liability limited by share capital is practically universal in commercial undertakings.

"To meet this particular objection, model rules have recently been prepared for credit societies in which the liability of individual members is limited either by guarantee or by share capital and it will be interesting to see whether this modification will be instrumental in making co-operative credit more popular in England and Wales.

"(4), (6), (7) These do not call for particular comment.

"(5) The willingness on the part of merchants to sell goods on credit and to give the impression to the farmer that he is relieved of the necessity of borrowing actual cash. While no doubt a large number of private firms would be glad to see a restriction of this system and would then be in a position to sell on terms more advantageous to the buyer, it often has the effect of placing the cultivator under obligations to unsatisfactory middlemen. This applies particularly to the more isolated districts and Wales suffers still more in this respect than England.

"The existing indebtedness of farmers to traders and the expectation that co-operative trading societies ought to give similar concessions with regard to purchasing on credit are two factors which greatly impede the further spread of co-operative trading as well as the work of existing societies.

"(8) With the object of acting as a central body to assist in providing credit societies with funds wherewith to make loans to the members, a Central Co-operative Agricultural Bank was established in 1908 in connection with the A. O. S. Movement. Since its formation the Central Co-operative Agricultural Bank has made loans to the total amount of £1,100, but many of these were made in the first case for one year only and have been several times renewed, so that its transactions are considerably more than amount. In view of the proposed legislation and the negotiations entered upon by the Board of Agriculture and Fisheries with the joint stock banks for loans to be made by the latter to the credit societies, the policy of the Central Bank has necessarily been a cautious one for the past two years, when considering the question of granting fresh loans. Prior to its formation the greatest difficulty was often experienced by the societies in obtaining the necessary funds to lend to their members."

The arrangements made by the Board of Agriculture with the joint stock banks seem to have been only partially successful as a means of supplying credit societies with capital.

"Sufficient time has not elapsed," says the 1913-14 Report of the Agricultural Organisation Society, "since these arrangements were completed for any pronouncement to be made as to whether, generally speaking, they can be said to have provided a satisfactory solution of the difficulty, but during the last year certain co-operative credit societies have approached lending banks for advances or overdraft, and in a number of cases it is satisfactory to report that a sympathetic response has been obtained and financial assistance given."

The inhabitants endeavour to compensate this deficiency by developing transport by water and by perfecting the network of their country roads. During the good season many steamers and motor boats glide over the lakes and rivers, and, best of all, is the postal service accomplished by means of carriages and automobiles; but in the long winter period a great part of the water freezes and a great many of the roads become impassable.

We find, therefore, in Norway co-operation confronted with great difficulties. The difficulties of transport render almost impossible in many places the concentration necessary for the elaboration and sale of products, and especially of such as are perishable.

The purchase by the farmer of the necessary farm supplies is equally difficult. All this has played so important a part in Norwegian agriculture that, even at the present day, it remains, as far as its economic organisation is concerned, more or less in a primitive state.

The holding represents a unit which must suffice for the needs of the agriculturist, while on the other hand, the produce of the holding is entirely consumed by the family established upon it. Thus there is little or no need for exchange or for co-operation.

To the material factor there must, of course, be added the psychological factor. In the Norwegian farmer, isolated and forced to provide for himself, reckoning only on his own strength, there is rooted a tenacious spirit of individualism. He is, in general, by inherited disposition predisposed to unite his interests with those of others, because, accustomed to help himself, he holds aloof from whatever is introduced by strangers. One may well say that few countries are less favourable for the development of co-operation; but for this very reason what has been done in Norway must be held in high esteem and value in honour of the men and institutions whose work has contributed towards such results.

The development of agricultural co-operation in Norway, relatively recent as it is, goes step by step with the transformation of the agricultural economy of the country from a purely natural basis to a monetary one — a transformation from which co-operation originated and in which, at the same time, it has been a factor. The importance of co-operation in the development of agriculture has lately been realized by the "Kongelig Selskap for Norges Vel" (*Royal Society for the Welfare of Norway*). This venerable society (1) now more than a century old, which has made the interests of agriculture coincide with those of the country generally has carried on a long and active propaganda of agricultural co-operation. By means of numerous affiliated associations, in particular the *Amtenes Landhusholdningsselskaper* (district rural economy societies), it has been able to carry its work into every district, even the most remote, in the country and to the work of propaganda has joined, wherever it seemed to be needed, material support. For that reason, in our brief study of Norwegian co-operation we confine ourselves chiefly to the data contained in the pre-

1. The Society was founded on December 20th, 1804.

cations of the *Society for the Welfare of Norway*. (1) We limit ourselves for the time being to the more simple co-operative societies for production, purchase, sale, and consumption, excluding the co-operative credit and co-operative insurance societies.

To give a general idea of the development of these branches of co-operation in Norway we reproduce the following table relating to the year 1912-13.

TABLE I. — *Total Transactions of Agricultural Co-operative Societies in 1912-13.*

	Number of Societies	Societies which have furnished Data	Total Transactions in Crown (2)
Dairies and cheese-factories . . .	600	about	26,000,000
Butter-making societies . . . . .	37		467,900
Butcher's shops . . . . .	2	1	1,814,881
Co-operative purchasing societies . .	5	5	9,771,143
Co-operative societies for the export of butter . . . . .	6	4	1,443,362
Co-operative egg-selling societies . .	34	22	298,017
Co-operative societies for the sale of wood . . . . .	73	43	2,824,430
Co-operative sale societies . . . .	3	3	1,210,000
Co-operative distributive societies . . . . .	370	252	18,544,665
	1,187	690 about	62,374,298

As may be seen, the turnover of capital is important, especially when one takes into consideration the extreme smallness of the population of the country.

## § 2. CO-OPERATIVE SOCIETIES FOR PRODUCTION.

1. *Co-operative Dairies.* — The production of milk represents one of the most important branches of agriculture in Norway. For this reason one of the first forms of co-operation there was necessarily that of co-operative dairies and cheese-factories. These have attained some development, although, inferior to that of similar enterprises in other countries.

(1) "Samvirke Foretagender i Norge," av Hans Overaa. Utdrag av der Kgl. Selskabet for Norges Vel Samvirkeventale (Co-operative Enterprises in Norway. By Hans Overaa. Published by the Committee on Co-operation of the Royal Society for the Welfare of Norway. Christiania, 1914).

(2) The Scandinavian crown is equal to about 1 fr. 40.

e.g. Denmark, where the concentration, elaboration, and transport of this highly perishable product is accomplished with a rapidity and smoothness that is truly remarkable. The first society of the kind in Norway was the *Rausjødalens meieri in Tolgen (Østerdalen)* founded in 1855. A society composed of thirty agriculturists and issuing shares bought a considerable area of pasturage in the *Rausjødal*, providing cow-houses cheese-factories and other buildings. The necessary capital was obtained through the medium of a loan from the *Selskap for Norges Vel*. For the actual work and for the management of the enterprise a Swiss staff was specially engaged. This society, however, was obliged, after scarcely two years of activity, to stop its operations because of the various difficulties met with, especially with regard to the transportation of milk.

Various attempts were made until 1867, when knowledge began to be diffused in Norway of the discoveries relating to the refrigeration of produce, an innovation which produced an effectual revolution in the milk industry. The central societies, where the product could now be stored for a long period without deteriorating increased enormously in importance. From that time the movement progressed with ever increasing rapidity, assisted and encouraged by the *Selskap for Norges Vel*, which devoted itself to the constantly increasing work of organization and propaganda.

The work, becoming in time too heavy for the society, was taken up by the Government on the same lines.

In 1914, there were in Norway 660 co-operative dairies and cheese-factories. We have more complete data for 1910. In that year the societies of this kind were 618, besides 120 private dairies and cheese-factories, that is to say a total of 738 with a business amounting to 10 700,000 crowns (14,080,000 francs). In all, they transported to the cheese-factories 238,689,000 kilogrammes of milk.

From this there were produced:

3,707,740	kg.	of	butter
1,772,220	"	"	whole milk cheese
3,043,738	"	"	skimmed milk cheese
2,086,781	"	"	<i>mysost</i> (1)
8,637,556	"	sold as	cream
38,004,042	"	"	fresh milk
47,828,856	"	of	skimmed milk

Analogous to the co-operative dairies and cheese-factories are the co-operative societies for butter. These are found in places where the quantity of milk would be insufficient for the continual working of a cheese-factory, or where the distance and difficulty of transport would make it difficult to assemble regularly the necessary supply of milk. This would be the case especially in summer, when the herds of cattle are scattered at

(1), A Norwegian cheese made from sour buttermilk.

great distances over the mountain pastures. To such conditions small co-operative butter-making societies are better adapted. The working of these is simple: on a certain day of the week, the butter is brought from various producers to a particular house, where it is all put together, churned, and the product carried to market. Such associations have been developed chiefly in the North of Norway, where the agricultural population is more widely scattered. In the district of Tromsø alone there were 34 such associations, and in Nordland 3.

2. *Co-operative Slaughter-houses.* — The encouraging results obtained by Danish co-operative slaughter-houses which, providing for the concentration, sale and exportation principally of pork (and its by-products), have come to constitute one of the principal sources of wealth of the country, led Norwegian farmers, between 1880 and 1890, to seek to follow the example of the farmers in Denmark. The importance of this was demonstrated by the fact that cattle-rearing is, by a long way, the principal branch of agricultural production in Norway.

For this reason, the great utility of any co-operative society which would encourage the industry was at once evident, especially if such a society succeeded in taking the trade in cattle for slaughter out of the hands of middlemen, who were necessary so long as the country people were unable to kill and sell their own cattle. This was the position in the case of agriculturists who were furthest removed from inhabited centres and from whom was absolutely excluded the possibility of selling in the place where they were.

Such considerations, after various attempts, led to the constitution of the *Fælleslakteri* (co-operative slaughter-house). The society, however, notwithstanding the good-will of its organizers made no progress at first, but later on the tide turned especially when the «Fælleskjøp» (of which we will speak later), in 1910, began to occupy itself directly with the affairs of the *Fælleslakteri*, taking into its own hands the general organization. In a few months, there had been subscribed to the society a sufficient number of cattle (30,000 head) and there had been secured the necessary minimum guarantee of 300,000 crowns. The co-operative slaughter-house provides for the sale of cattle in the best condition for butchering by its method of killing and treating meat.

The society is based on limited liability. Each member subscribes to a guarantee fund in proportion to the number of head of cattle he possesses which are more than a year old. (Two pigs of four months or eight sheep are reckoned as equal to one head of horned cattle).

Every member has the right and obligation to consign to the slaughter-house his cattle to be killed, (oxen, swine and sheep), except such as he uses for his own consumption. Another exception is the case in which the agriculturist sells one or more head of cattle in a neighbouring town and he is certain that the meat will be retailed and consumed in that place and not sent to Kristiania.

Offences are punished by fines from 10 to 50 crowns for each head of cattle.



The society in order to regulate the supply of meat, may demand that each member give due notice, a certain prescribed period of time before-hand, of the number of head of cattle which he intends to consign. From the result of the sale of each animal killed there is deducted 1 per cent, which goes towards the capital of the enterprise, which sum, however, is always credited to the member's account.

The annual profits are devoted to paying off a minimum of 20 per cent. of the loan contracted, to paying the various salaries, and to paying bonuses to members in proportion to their dealings with the society.

The society is governed by a board of management composed of three members, and a council of representatives elected by the members. The management has to publish every week a list of prices as a forecast of the following week. The society also undertakes the sale of butcher's meat consigned from the members and will sell also for non-members in return for a commission.

Solidly organised and enjoying the confidence of producers and consumers the *Fælleslagteri* has been able from the first to give excellent results. On 15th November, 1911, when it entered into activity, it had already 5,041 members, who had inscribed with the society 47,331 head of cattle. A year and a half later, 10th March 1913, the membership had grown to 5,817 and the head of cattle inscribed, to 53,593. The entire extent of business of the first year of activity was 1,814,881.04 crowns of which sum 1,601.03 crowns were paid to the members.

## § 2. CO-OPERATIVE PURCHASE SOCIETIES.

In the first transition of Norwegian agriculture from the stage of primitive to that of monetary economy, which occurred in the second half of the last century, the need of means to increase and improve production soon made itself felt. In addition to this, the increase in the area under cultivation and the growing scarcity of rural hand labour, due to internal and especially, to overseas emigration, brought about the more extended use of agricultural machines.

However, very serious complaints soon arose in connection with the trade in commodities for use in agriculture. These complaints related to the quality of the commodities and, particularly, to the high prices charged, both of which were to be accounted for by conditions peculiar to Norway.

In 1885, a comparative study appeared in the *Nordisk Landmandskab* which showed that the prices paid in Norway were almost one-third higher than those paid in Denmark for the same article. We see, therefore, that the only way out was through co-operation, through which it would be possible to economise on the prices and, at the same time, to guarantee to agriculturists still inexperienced in the purchase of such commodities, a good quality of article. The first attempts, as was very natural, were very timid and uncertain. But the movement made rapid progress.

is seen as it began to employ the "district rural economy societies" (*am-  
tmåa landhusholdningsselskaper*). These societies, whilst, on the one hand,  
representing an organization already constituted, on the other, possessed  
among their members persons competent in this kind of purchasing.  
They had the advantage of being grouped around a central body, the  
Society for the Welfare of Norway, and at the same time they were able  
to make their action felt through the medium of their affiliated societies  
in all parts of the country, even the most remote.

With the introduction of this factor, the Norwegian co-operative pur-  
chase societies made a very rapid forward movement. Whereas, in the  
year 1896-1897, the entire extent of business of the rural co-operative  
purchase societies was 243 609 crowns (of which about 220,000 crowns  
related to the co-operative purchase societies of the district rural eco-  
nomy societies, in 1913-14, the extent of business was 9,771,143 crowns,  
of which nearly the whole amount represented the business of the  
co-operative sections of the district societies.

The purchase societies have extended their operations more and more  
in regard to manures, fodder and seeds. The wide extent of business in  
these articles of common use among the small agriculturists shows the im-  
portance, particularly to these latter, of such societies. The following  
figures for instance, relating to the total business in chemical manures, are  
significant. Unfortunately they are the most recent figures at our disposal.

	Total sales — Tør.	Co-operative purchase societies — Tør.
1890 . . . . .	18,934.4	5,123.4    28.4 %
1906 . . . . .	11,280.8	17,056.9    43.5 %
1911 . . . . .	57,001.0	20,772.6    51.5 %

There are now in Norway five great societies (or, more properly *feder-  
ations*) for co-operative purchase.

1. *Landhusholdningsselskapernes fælleskjøb*, co-operative purchase  
agency of rural economy societies, with its headquarters in Kristiania.

2. *Agder fællesindkjøbsforening*, Agder co-operative purchase society,  
with headquarters at Kristiansand.

3. *Stavanger Amts Landhusholdningsselskaps fællesindkjøbsforening*,  
co-operative purchase agency of the rural economy society of the district  
of Stavanger, with headquarters at Stavanger.

4. *Det vestlandske Kjøpetag*, (Vestland co-operative purchase union),  
with headquarters at Bergen.

5. *Nordenfjeldske Landhusholdningsselskapers indkjøpslag slægsforening*,  
co-operative purchase and sale society of the societies of rural economy  
of Nordenfjeld, with headquarters at Trondhjem.

These societies, by means of their branches, have come to embrace  
the entire extent of the country, carrying their beneficent influence even to

regions which private trade would not have found it worth its while to reach or, at least, to only the most limited extent.

We offer some remarks on each of these enterprises :

1. *Landhusholdningsselskapernes fælleskjøb*. The south-eastern part of Norway, where agriculture is more largely exercised and where it can be made more productive, was, as is natural, the first to feel the need of plentiful supplies of agricultural commodities. In 1914, the agricultural societies of Kristians Amt and the societies of rural economy of the districts of Akershus, Smaalen, Bæsterud, Jarlsberg, and Larvick sent a request to the Society for the Welfare of Norway to charge itself with the co-operative purchase of chemical manures and fodder. Such commodities they observed, and especially the first, come to Norway imported from abroad and in such considerable quantities that agriculturists might effect a considerable saving by hiring directly the ships which transport them, and that at Christiania, - which happens to be the point most convenient in respect of all these districts, - there should be a centre to control this merchandise and distribute it to the various places.

The Society for the Welfare of Norway was not able to assume directly the management of the enterprise. However, the idea had been circulated and recognized as good and, furthermore, put into action. On 5th October, 1896, the rural economy societies of the districts of Kristian, Hedemarken, Buskerud and Smaalen decided to form an association for the co-operative purchase of chemical manures, concentrated feed-stuffs and seeds. The capital for carrying on the business, accorded by public institutions on the guarantee of the districts, amounted to 40,000,000 crowns. The Societies began operations at once.

Subsequently, the societies of rural economy of the districts of Akershus, Jarlsberg, Larviks, Bratsberg, and Nedenes joined the co-operative society, so that the organized districts now are eight in number.

The *Landhusholdningsselskapernes Fælleskjøb*, which, at first, had limited its activities to the purchase and distribution of chemical manures, fodder and seeds, gradually extended its activities to all sorts of articles necessary for agriculture, as well as to flour and meal, petroleum, kerosine and cement.

In the exhibition held last summer at Kristiania on the occasion of the centenary of Norwegian independence, (1814-1914), the *Landhusholdningsselskapernes Fælleskjøb* had a division to itself in the section of Agriculture and this commanded the admiration of all competent persons for the choice selection of machinery imported direct from the best workshops in the world; tools of all sorts, and, in fine, all articles necessary for Agriculture, which were enumerated in a voluminous catalogue.

The development of the co-operative purchase section of rural economy societies is clearly proved by the following data :

TABLE II. *The Co-operative Purchasing Agency of the Rural Economy Societies (Landhusholdningsselskabernes Fælleskiøb)*

Year	Number of			Sales of		
	Districts	Local Societies	Members	Chemical Manures Tons	Concentrated Fertilizers Tons	All Commodities Crb. 4.
1899-97 . . . .	4	—	—	—	—	243,081.00
1897-98 . . . .	—	—	—	—	—	411,980.00
1898-99 . . . .	—	—	—	—	—	395,104.00
1899-1900 . . . .	—	—	—	—	—	602,870.00
1900-01 . . . .	—	—	—	412.4	—	629,301.00
1901-02 . . . .	—	—	—	—	—	830,967.00
1902-03 . . . .	—	—	—	—	—	1,162,308.00
1903-04 . . . .	—	—	—	7,972.7	7,027.4	1,441,875.00
1904-05 . . . .	6	—	—	9,991.9	16,814.6	2,496,359.00
1905-06 . . . .	—	352	—	13,130.5	15,685.7	2,557,432.00
1906-07 . . . .	—	—	—	15,020.5	21,113.8	3,271,722.00
1907-08 . . . .	—	382	11,000	—	—	4,590,769.00
1908-09 . . . .	—	385	—	13,037.3	20,002.7	3,506,630.00
1909-10 . . . .	—	433	—	15,111.6	22,487.6	4,207,496.00
1910-11 . . . .	7	481	12,500	16,212.5	27,233.2	4,667,571.00
1911-12 . . . .	8	552	15,000	23,038.3	38,210.7	7,501,309.00
1912-13 . . . .	—	571	10,588	23,999.0	28,793.5	6,162,511.00
31 Maggio 1914 . . . .	—	628	19,142	26,730.5	34,142.5	7,719,507.68

And now some words on the organization and functions of the society.

The *Landhusholdningsselskabernes Fælleskiøb* of Kristiania is the central organ, constituted for the purpose of making collective purchase for the rural economy societies as we have enumerated above. For all that the district societies do not perform a mediary function between the central society and the consumers. This function is performed by small local organizations (*fælleslagene*) specially created and distributed in the smaller centres. The central organ undertakes wholesale purchases and by cash payments makes sure of a good quality of fodder, manures, seeds and other supplies which the general assembly annually decides to buy on the proposal of the management. By such means the action of the society comes, little by little, to follow the needs as manifested by the vote of the members.

The working capital is constituted by loans obtained from public institutions on the guarantee of the districts.

The management is composed of a representative of each of the rural economy societies which constitute the federation. The management selects from its members a president and a vice-president, and also, from its own members, when that is possible, one or more persons for the supervision of the society.

The directors engage a manager, who takes charge of the purchasing, executes the orders, makes and receives the offers etc., but who, however, acts only in accordance with the instructions he receives.

The local societies, known as the Co-operative Purchase Societies or the Rural Economy Societies, send their orders directly to this individual. The payment is at thirty days. After sixty days they suspend the sending out of merchandise to local societies.

Any losses arising out of the activities of the co-operative society are divided among the various rural economy societies in proportion to the purchases which they have made. Out of the profits, a rebate, up to a limit of 2 per cent., is granted to such local societies as have paid their invoice within thirty days. The remainder of the profits, except bonuses which may be accorded by the management, go towards a reserve fund.

The year's work is reckoned from 1st June to 31st May.

When a district association wishes to sever its connection with the co-operative purchase society it has to give notice of such intention one year in advance. It will not receive in such a case, more than three-quarters of its share of the reserve fund.

When any *fælleskjøb* comes to consist of less than three district societies of rural economy, it has to restore the capital received and to dissolve. The reserve fund is divided in proportion to the operations effected by the different district societies.

Such is the organization of the central organ, the *Landhusholdningsselskapernes Fælleskjøb*. The local organs are, as we have said, the special associations scattered throughout the different districts. The members of these associations are obliged to buy chemical manures and concentrated feeds through the association and to assume the responsibility jointly for the purchases of the societies. Every member is responsible in case of loss for a sum proportionate to the entity of the purchases made.

We must add that the society publishes a review entitled "*Samvirke*" (*Co-operation*). This review, which is published twice a month in 22,500 copies, had, up to 31 March 1914, 20,000 subscribers. It contained notices of the proceedings of the society, of Norwegian co-operative life in general and of the prices of commodities.

2. *Agder Co-operative Purchase Society (Agder Fælleskjøpforsamling)*. This society, (with headquarters at Kristiansand), is composed of associations for purchasing (*indkjøpslag*) formed by members of the societies of agriculture belonging to the district societies of rural economy of Lister and Mandal. The principal object of the society is the sale of chemical manures, concentrated feeds and seeds. Last year it also undertook the sale of

flour and meal. Founded in 1900, the Agder society has had a rapid development. In 1912, its sales amounted of 235,113.47 crowns. The capital for operations of the society is constituted by a loan of 20,000 crowns obtained from public institutions on the guarantee of the districts of Lister and Mandal. In compensation, the District Council (*Amting*) has the right to exercise the control, by means of special inspectors, over the operations of the society for such time as the guarantee of the district for such loan lasts.

The members of the local societies for purchasing (*kjøpforening*) are responsible for the obligations of these to the central society. The rules governing the responsibility of single members is fixed by the different local societies. Those which wish to dissolve must first satisfy their obligations to the central society. The profits constitute a reserve fund. When, however, these exceed one-tenth of the average of the total business for the last three years, they are distributed among the members in the form of bonuses.

The members of the local co-operative purchase societies should also belong to the local agricultural societies. They are bound, as we have said, to become jointly responsible for the obligations of the co-operative society. However this responsibility is fixed by this latter according to different principles, that is to say, not always in proportion to the purchases made during the year, but also for example, in proportion to the number of cows possessed by each member, or to the area of land he possesses, etc.

The members must not be less than ten. The general assembly, convoked once a year, provides for the nomination of the officers.

3. *Co-operative Purchase Society of the Rural Economy Society of the District of Stavanger* (*Stavanger amts Landhusholdningsselskaps kjøpskjøb*). This society, which is relatively recent (1906), was founded after numerous experiments for co-operative purchase made in that district since 1892, and constitutes a special branch of the society of rural economy with a separate administration. At the moment of its foundation it had 2,750 members distributed into 70 local societies, it undertook purchasing operations up to 160,249 crowns and possessed capital of 779 crowns. In 1912, these figures were raised to the following: local societies, 114; members 4,000; total purchases, 832,602; capital of the society, 30,894 crowns.

The by-laws are similar to those already shown in the case of other co-operative societies: they prescribe joint responsibility, a minimum number of the members of the local societies, *i. e.* ten; and annual general meetings. The working capital has been constituted by means of a loan from public institutions. The management decides if there is to be constituted a reserve fund and to what extent. The local societies leaving the society lose all right to this fund.

4. *The Vestland Co-operative Purchase Society* (*Det vestlandske Kjøpforening*) has its head quarters at Bergen and is composed of the societies of rural economy of the districts of Romsdal and Søndre Bergenhus and the Agricultural Association of the district of Nordre Bergenhus.

Any rural society of the region may form part of the purchase society.

and all are obliged to purchase through the latter all the commodities which they may need and which the society is able to obtain for them.

The *Vestlandske Kjøpelag* comprises 400 local associations, of which 114 are in Søndre Bergenhus, 121 in Nordre Bergenhus, and 164 in Romsdal. The business in 1912-13 amounted to 3,695.8 tons of chemical manures, 3,545.8 tons of concentrated fodder, 46,206 kg. of seeds, total 807,407 crowns.

5. *Co-operative Purchase and Sale Society of the Rural Economy Societies of the Region of Nordenfjeld.* (*Nordenfjeldske Landhusholdningsselskapers Indkjøpslag Salgforening*), with offices and warehouses at Trondhjem. Up to 1913, the sales were made directly to the rural societies and also to private individuals against payment on delivery. Since 1913, the business has been conducted according to the principles of the other district co-operative purchase societies. On 30th January, 1914, the society of Nordenfjeld comprised 206 local associations, of which 70 were in the district of Søndre Trondhjem, 75 in that of Nordre Trondhjem, 38 in Nordland, and finally, 23 in that of Tromsøe. As we see, this society exercises a great part of its activities in regions beyond the Arctic Polar Circle. In the year 1912-13 its total business amounted to 1,183,800 crowns.

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From what we have said above it is easy to see that these purchase societies have been of great utility to Norwegian agriculture. They constitute centres from which articles necessary to agriculture may be sent into localities even remote which, in all probability, private trade would not be able to reach, or where the prices established by private traders would be very high. On the other hand, such societies also guarantee the quality of the merchandise which they sell because at their headquarters it is subject to accurate examination and control.

Also, the system of organization adopted has great advantages. In effect, the activities of these societies are placed under the management and supervision of very progressive and highly respected agriculturists belonging to the district societies of rural economy. The general system is not rigid and leaves to the local societies sufficient freedom. On the other hand, the joint responsibility of the members of the central society is a sufficient guarantee against abuses.

The co-operative purchase societies represent, not only an economic advantage to their members, but also constitute an element of technical progress, since they are interested in the development of agriculture and follow the current of the latest discoveries in science. Upon these grounds they merit the financial support which has been accorded them by the different public authorities.

(To be continued)

# NOTICES OF SOME RECENT PUBLICATIONS RELATING TO CO-OPERATION AND ASSOCIATION.

## CHILE.

RIESLE (ROBERTO) : *Sindicatos y Cooperativas agrícolas. Crédito agrícola. Special Bulletin No. 1, of the Chilean Agronomic Society, in-8vo. 28 pp. Santiago: Printing Office of the Meteorological Institute. 1915.*

The volume contains a series of propagandist lectures delivered by the author under the auspices of the Chilean Agronomic Society.

Mr. Riesle, after drawing attention to the backward state of agriculture in Chile, in which country half a million hectares of land — 42 per cent. of the whole — remain uncultivated, notes the fact that the present crisis, aggravating the position of agriculture, has led to a movement in favour of those connected with that industry. The author wishes to contribute to this movement by making known to the agricultural classes the advantages of co-operation.

Having first described briefly the functions of syndicates and of the various forms of rural co-operation, and presented certain model rules based on the rules actually in force in French agricultural societies, describing at the same time the results of the working of credit institutions in France, the author frames a number of conclusions, of which the principal are as follows : (1) That the Chilean Agronomic Society ought to seek, by every means in its power, to establish one agricultural syndicate, at least, in each zone of the different Provinces; (2) that a Commission should be appointed to study the question of enacting legislation relating to the constitution of agricultural societies; (3) that the work of rural colonisation should be brought into relation with the work of forming rural associations; (4) that a Department of Agriculture is indispensable, and should be created.

## GREAT BRITAIN AND IRELAND.

CO-OPERATIVE LAND RENTING SOCIETIES IN ENGLAND AND WALES. 2. CO-OPERATIVE LAND RENTING : ITS ADVANTAGES. 3. RENTON CO-OPERATIVE SMALL HOLDINGS SOCIETY, LTD. 4. COMMON PASTURAGE : HADDENHAM AND CUDDESDON SOCIETIES. 5. AL-



LOTMENTS SOCIETIES AND THEIR WORK. 6. GRANTHAM CO-OPERATIVE ALLOTMENT ASSOCIATION, LTD. 7. STATISTICS OF LAND RENTING SOCIETIES. *Bulletin of the Co-operative Reference Library*. The Plunkett House, Dublin. No. 10, April 1915.

The April Number of the *Bulletin of the Co-operative Reference Library* is entirely devoted to the various forms of co-operative land-renting societies in England and Wales, and contains the articles above indicated. The two principal forms of such societies are those which rent land for the purpose of sub-letting it in small holdings to the members individually and those which in like manner provide their members with allotments. There is, however, a third form of land-renting society, of which two instances are described, namely those which rent a piece of grazing land upon which the members are given the right to graze live-stock at a fixed price per head of stock.

Co-operation in the renting of land is usually accompanied by other forms of co-operation, such as the joint purchase of agricultural requirements. In the case of the Roxton Co-operative Small Holdings Society, there is common ownership of horses and implements, these having been purchased by the society and hired in turn to the members. A further development of co-operation by this society is the employment of a labourer at a fixed wage, whose services can be obtained by any of the members according to a scale of charges for different kinds of work.

The statistics show that in 1913 there were 191 land-renting societies in England and Wales, with 14,117 members, holding 8,195 acres from local administrative authorities and 5,345 acres from other landlords.

#### VARIOUS COUNTRIES

O'BRIEN (CRUISE): CO-OPERATIVE MILLS AND BAKERIES. *The Co-operative Reference Library*. The Plunkett House, Dublin, Miscellaneous Publications, No. 2, February 1915, 50 pages.

This pamphlet has been issued by the Co-operative Reference Library, of Dublin, as embodying the results of an inquiry into the working of co-operative mills and bakeries in various countries, made at the request of the Irish Agricultural Organisation Society. Efforts are being made by this Society to increase the production of wheat in Ireland and the object of the inquiry was to ascertain whether, by means of co-operation, a greater return could be secured for the wheat-growers.

Owing to the European War the compiler of the pamphlet was unable to obtain access to many valuable sources of information more particularly regarding co-operative mills and bakeries in Germany, but he has succeeded in putting together many useful notes on this form of co-operation in France, Italy, and elsewhere.

The form of co-operative bread-making which exists in the United Kingdom is the urban co-operative bakery, the members of which are consumers only. But, as the compiler of the pamphlet points out, it is by no means part of the co-operative theory that there should be a sharp division between the organisation of co-operators as producers and the organisation of other co-operators as consumers. "The producer," he says, "is also a consumer and stands to gain as much by extending his co-operation to his consumption, as by developing it as a producer simply."

For examples of the co-operation of wheat growers for the making of bread for their own consumption it was necessary to turn to the continental countries and the author shows how small wheat growers on the continent have built up a system by which they obtain cheaper and better bread from their own wheat than they could by buying the bread sold by the bakers. He concludes, from the study of this system, that it would be advantageous for Irish farmers to adopt it.





administration is left to the Directing Board of the Insurance Institutions of Lower Austria, — the institute for fire insurance, founded in 1887, for life insurance and annuity, founded in 1898, for the insurance of cattle and horses, for accident and fidelity insurance, and for insurance against damage to water conduits.

Articles 1 and 2 of the bye-laws state that the Institute is organised upon mutual principles for the purpose of insuring owners and tenants of land in Lower Austria against total loss of or damage to agricultural crops, including market-garden crops. According to the mutual principles in force, any profits or losses arising fall upon the members, — every person insured being considered a member. The limitation of operations to the territory of Lower Austria is explained by the fact that the Institute is an institution in public law.

The Lower Austrian authorities guarantee the Institute an annual subvention of 80,000 crowns, and, in addition, place at its disposal a cash credit of 200,000 crowns to be drawn upon to make good any deficit in the balance sheet, should the reserve fund prove insufficient for this purpose. The statutory amount of the reserve fund is a million crowns. It consists (1) the profits of the Institute, if any; (2) income derived from the Institute's own capital invested; (3) any sum awarded as damages in an action; (4) the additional fees charged upon payments in arrears; (5) the contributions prescribed by the Provincial Commission. When the fund has reached the statutory limit, the sums above-mentioned are diverted to the repayment of loans guaranteed by the State; but in the event of the fund falling below one million crowns these various sums are again allocated to it.

The case of the loans granted to the Institute having all been repaid — a case which has never arisen so far — has also been provided for. In such an event, and provided always that the reserve fund is maintained at the prescribed amount, any profits arising out of the working of the Institute are to be divided among the persons insured with it in proportion to the premiums paid in the current year, each member's share being credited to his account and deducted from the next annual premium due. These members who withdraw from the Institute or are excluded have no claim upon any undistributed profits.

The Institute's capital may be invested only in one of the following ways: (1) in national trustee stock; (2) in loans to the Archduchy of Austria under Linns; (3) in interest-bearing national real estate stock when not burdened with charges for more than a third of the purchase price; (4) in national trustee mortgages; (5) in loans upon national trustee stock up to 80 per cent. of the current value of such stock, this proportion, in the case of stock redeemable by lot, not to exceed the minimum profit resulting from the scheme of redemption, after deducting taxes; (6) in deposits in the national savings bank; (7) in deposits in duly authorised national credit institutes in current account or against interest-bearing bonds provided in every case that such funds are readily repayable to the Institute.

In the case of a deficit the reserve fund is first resorted to, and the State authorises withdrawal up to a third of its amount. If even then the eventual losses will not be covered, the claims payable for the current year may be reduced *pro rata*. When the claims must be reduced more than 20 per cent. the authorities place at the disposal of the Institute the sum of 200,000 crowns already referred to in order that all claims may be paid up to 80 per cent. of their amount.



These preliminary notes upon the financial organisation of the Institute will be made clearer in the tables relating to the work of the Institute in 1913. Let us now see what functions devolve upon the four administrative bodies concerned: the Diet, the Provincial Commission, the Directing Board of the Lower Austria Insurance Institutes and the Directing Board of the Hail Institute itself.

The Diet deals with: (1) the framing of the bye-laws, excluding, as a rule, those relating to the conditions of insurance; (2) the organic law of the employees; (3) the dismissal of the permanent employees of the Institute; (4) the examination of the balance sheet and of the auditors' report; (5) the decision to dissolve the Institute, and the method of liquidating its affairs. The deliberations of the Diet with respect to the framing of the bye-laws, or of any amendments to them, and with respect also to the dissolution of the Institute are subject to the approval of the Government.

The Provincial Commission deals among other matters, with: (1) the business to be submitted to the decision of the Diet; (2) the remuneration, promotion and superannuation of permanent employees, as well as all that concerns casual employees; (3) the direction and administration of the Institute; (4) the method and the form of investing the Institute's capital; (5) the conclusion and the dissolution of reinsurance contracts; (6) all acts which are in the nature of permanent contracts entered into by the Institute or which relate to the remuneration of a right upon the Institute's part; (7) appeals from decisions of the Directing Board of the Insurance Institutes; (8) the balance sheet of the Institute, approving it in the case where the Diet does not meet in time to do so; (9) the conditions of insurance, except when the question relates to the duty of an insured person to insure his real property with the Provincial Fire Insurance Institute, which question must be referred to the Diet; (10) the amount of the contribution to the reserve fund; (11) the scale of premiums; (12) the acquisition or disposal of real estate, the creation of mortgages and the granting of loans. The deliberations of the Commission as to the conditions of insurance or the modification of these conditions are subject to the approval of the Government authority.

The Directing Board of the Lower Austria Insurance Institutes assumes the immediate management and control of the Hail Institute, its

principal functions relating to : (1) the decision of all questions which concern a number of insurance institutes or require to be treated upon uniform lines ; (2) the current legal, fiscal and administrative business, being authorised in certain cases to nominate an advocate to represent it in cases in dispute ; (3) the representation of the Institute before the Government inspecting authority ; (4) appeals from the decisions of the Directing Board of the Hail Institute ; (5) the nomination of the expert valuers required for the estimation of loss, — such valuers having to take oath.

Lastly, the Directing Board of the Institute itself deals with the routine work of management and represents the Institute in all that concerns the persons insured and the authorities, with the exception of the Government inspecting authority and the organs of that authority.

In addition to the cases mentioned above, — compilation and amendment of bye-laws, dissolution of the Institute and the prescribing of the conditions of insurance, — the approval of the Government authority is necessary in the case of any agreement under which : (a) the Institute hands over the whole of its business, in any form, to another Institute or assumes the business of another institute ; or, (b) reinsures the whole of its business with another institute or accepts for reinsurance the business of another institute.

The Institute is subject to the control of the Government inspecting authority over all insurance enterprises operating in the Kingdoms and Countries represented in the Reichsrat, and with respect to the keeping of the accounts, the presentation of the balance sheet and the auditors' report, the provisions of the Ministerial ordinance of 5th March, 1900, (*Versicherungs-regulativ*) which regulates the constitution and activity of private insurance enterprises, are applicable to the Institute. The controlling authority forms part of the Ministry of the Interior.

Article 16 of the bye-laws declares that for the settlement of all disputes between the members and the Institute, arising out of the relation between them, recourse shall be had to the competent court at Vienna, before which the Institute will appear as plaintiff or defendant.

In the case of the dissolution of the Institute, the part of the capital remaining after all debts have been paid, including the sums advanced by the State, shall be devoted to works in connection with agriculture in Lower Austria.

## § 2. THE INSURANCE CONTRACT.

Membership in the Institute is conferred by the act of insuring and is lost by the termination of the insurance contract. Every owner or tenant of land in Lower Austria has the right of membership ; but admission to membership may be refused to any person who has offended against the rules prescribed by the Institute. In addition, — and this is a necessary defence against the accumulation of risks which would otherwise arise at

result of the Institute being compelled to confine its operations to a limited area, — the Directors may, for districts particularly exposed to damage by hail, limit each sum insured to a certain percentage of the value of the product, — the percentage being fixed by the Institute and being valid for the whole of a particular district. Such a provision must be communicated to the persons affected at the beginning of the year. (The financial year corresponds with the calendar year). This system of selection of risks, under which it rests with the Provincial Commission to fix the proportion between the sum assured and the value of the produce, seems to be much superior to the system in force in other insurance enterprises under which, for communes most liable to damage, a certain maximum insurance is fixed, and when that has been reached no further proposals are considered, — the so-called system of maximum risks. It is clear that under the latter system certain cultivators would be unable to effect the insurance of their crops, whereas, in the case of a public institute subsidised by the State, it is only just that insurance should be possible for all and that the necessary compensation of risks should be secured only through accurate tariffs of rates.

A person may be admitted to membership of the Institute at any time, but a member may withdraw only after notice in writing sent to the Directing Board before the end of the financial year. This provision applies also to the case of a transfer of ownership or of tenancy, except in certain cases mentioned below. The withdrawal of a member or his exclusion from the Institute does not affect any obligations which at the moment he may have towards the Institute, and the same remark applies to the transfer of ownership or tenancy.

In the case in which an insured holding passes into the ownership or tenancy of a member of the Institute, the new owner or tenant shall assume the obligations and rights attached to the new holding. On the other hand where an insured holding passes into the hands of a non-member, such non-member may assume the obligations and insurance rights attached to the holding, and will in such event be held responsible for the payment of any dues which may be in arrears. However, if the new owner or tenant intends to exercise this right he must notify to the Institute the transfer of the ownership or tenancy and his intention to continue the former relations with the Institute, within four days from his entering into possession. Should his application to continue relations have met with no refusal upon the part of the Directors of the Institute within a prescribed period of time, the rights and obligations in question are considered as having continued without interruption. It is not difficult to understand the reason for these provisions which are contained in Articles 10 to 12 of the by-laws. They are designed to permit of the continuance in the person of the new owner or tenant of the insurance relation which ceases, as far as the former member is concerned, with his cession of the holding.

The contract of insurance may be entered into by more than one person by means of a single proposal and one policy. In such a case each person is held responsible in full for the payment of all premiums and supplement-



ary charges. This form of contract — called collective insurance — has the advantage of effecting a certain saving in the charges connected with the conclusion of the contract (policy and stamp taxes, etc.) and in the cost of estimating the damage in case of loss.

We have already referred to the fact that the premiums are fixed by the Provincial Council according to a scale based on the frequency of hail storms in the different districts and the risk connected with the specific product insured. In addition to the premium, each member upon admission to the Institute, or in the event of his wishing to increase the amount of his insurance, is required to pay in a contribution to the reserve fund.

The premiums and all other charges must be paid, before 1st November in each year, either to the cashier of the Institute, in Vienna, or to one of the various authorised agents. The Institute is obliged to inform the members in good time of the amount due from each. It is authorised to take legal steps to recover payments in arrears, the legal expenses falling upon the member.

For the valuation of damage the Directing Board of the Lower Austria Insurance Institutes appoints expert valuers who take oath for the faithful performance of their duties. The result of the expert's valuation is communicated at once to the member interested, who if dissatisfied with the result may demand a second valuation, which must be considered final. The Institute pays for the first valuation: the second valuation must be paid for by the member, but if it results in an increased estimate of the loss the cost falls upon the Institute. The amount of indemnity is calculated upon the basis of the valuer's written report and the indemnity is paid, at latest, by the close of the calendar year. However, on the demand of the person insured the Institute is bound to make advances on the amount due, though such advances may not be made earlier than September 15th.

The right to indemnity ceases: (1) if the person insured has not carried out all the terms of the insurance policy; (2) if the insured person or his representative, has intentionally furnished wrong data; (3) if, when the estimation of the damage is made, the insured person attempts to profit at the expense of the Institute, making false communications or of intention remaining silent on important points; (4) if the amount due to the person insured is not retired within two years.

### § 3. TECHNICAL ORGANISATION.

The technical organisation of the Hail Institute may be studied in the general conditions of insurance which form part of the bye-laws. In their present form they received the approval of the Home Minister on 7th July, 1900. We shall endeavour here to explain briefly the criteria adopted by the Institute in the classification of risks and in the settlement of claims.

(a) *Classification of risks.* — The crops which are accepted by the Institute for insurance are divided into certain classes according to the

nature of the risk which they represent. The Institute insures crops in six classes, and the sixth class — the highest risks — is divided into three groups: vineyards, vegetable-gardens and fruits. The other classes are as follows: (1) hay, clover, and forage crops; (2) wheat, rye and barley; (3) oats, legumes, maize, hoed crops, mixed cereals, cabbages, Brussels sprouts; (4) oleaginous plants, textile plants, millet, hay and forage crops for seed; (5) beets for the production of seed, and grain.

In the case where the crop has already been damaged by hail, insurance is accepted only if as the result of a valuation made at the expense of the Institute, the damage does not exceed half the value of the crop. Winter sowings cannot be insured in the year in which they are sown. The insurance must not be limited to the fruit but cover all those parts of the plant which may be utilised; moreover, it is valid only for one cultivation of the holding, and, in the case of grasses and forage crops for seed, is valid only for the number of cuttings indicated in the proposal. When a holding has been damaged the insurance contract does not cease until a new crop has been grown.

With the object of individualising the risks, the Directing Board of the Institute ascertains for each commune the value of the production per hectare according to revenue-yielding power for all insurable crops cultivated in the commune. Making compulsory the insurance of all the serviceable parts of the plant, and, therefore, of secondary products such as straw, stems and outer skins, the Institute makes it impossible to insure only those products which are most exposed to damage by hail, and when damage occurs the value of the product is calculated as follows:

(1) In the case of rye, wheat, barley, oats, millet, legumes and mixed crops of these grown for seed, the fruit is calculated as 75 per cent. of the value, and the straw at 25 per cent.;

(2) for beets, Indian corn, maize, lupine, grasses and forage crops or seed, the insured sum is calculated as 50 per cent. for the fruit and 10 per cent. for the stems or stalks;

(3) for textile plants, 33 per cent. for the fruits and 67 per cent. for the stems;

(4) for grasses and forage crops, in the case of two cuttings, the first is considered as constituting 60 per cent. and the second as constituting 40 per cent. of the sum insured; in the case of three cuttings the first is counted at 50 per cent., the second as 30 per cent. and the third as 20 per cent. of the sum insured.

The sum insured, on which the premium is calculated, is determined by the Institute from data furnished in the proposal for insurance with respect to the area, the revenue-yielding power and the class of product insured. In case the crop has already been damaged by hail, the estimated amount of damage must be deducted from the sum insured. In every case, in calculating the indemnity to be paid, only the actual value of the product is taken into account (deducting the amount of damage already suffered should the product have been previously damaged by hail), so that the actual value itself is at most equal to the insured sum.

The member insured may always increase or diminish the amount of his insurance. In the case of an increase the increased amount of risk is considered a new insurance, and the member must pay, in addition to the increased premium, a contribution to the reserve fund. In the case of diminution no deduction is made for the current year. This provision, however, does not apply in the case where the increase or decrease of the insurance have resulted from a change in cultivation or a modification in the value of the local production of the different crops.

Admission to the Institute is obtained by written application upon a special form, and the proposer or his agent is required to furnish replies to all the questions contained in the application form, and to state exactly and truthfully all the material facts which the Institute considers necessary for the determination of the risk. In any case, the Institute has power, even after the conclusion of the contract, to examine and verify all the information furnished in the proposal for insurance. The insurance contract is concluded whenever the Institute accepts the proposal made to it. As soon as the proposal is accepted the Institute delivers to the insured person a policy in which the nature and the amount of the Institute's obligation towards the member are accurately stated. The insured person by acceptance of the policy implies that he agrees to the terms contained in it. Article 41 of the conditions of insurance states that the Institute's obligation arises solely from the terms of the policy and from any modifications in it or additions to it, so that verbal or written communications of any agent of the Institute in no way bind the Institute itself.

Article 37 of the conditions of insurance states that by subscribing to the policy the insured person contracts the following obligations:

- (1) to obey the bye-laws of the Institute and any amendments of them while a member;
- (2) to fulfil the terms of his policy;
- (3) to yield to the decisions and obey the rules which the directing bodies responsible for the Institute may make according to the powers they enjoy;
- (4) to pay in all cases the premium fixed for each year according to the information furnished by him, together with any other charges which may be levied;
- (5) to insure the whole of the crop of the same kind situated in one and the same commune, or belonging to the same farm or holding;
- (6) to insure at once, or at the expiration of any contract of insurance in force at the moment, all the buildings, whether domestic or industrial, in his property situated in Lower Austria, in the Lower Austria Fire Insurance Institute, and to keep up such insurance as long as he shall remain a member; but this provision shall not apply to local fire insurance associations where real estate together with chattels are insured in the Lower Austria Fire Insurance Institute;
- (7) in the event of his insuring vines, to insure in the Institute all the plants with stems cultivated by him in Lower Austria;

(8) to inform the Institute, or the agent of the Institute to whom he presented his proposal for insurance, in writing, of any damage by hail, within twenty-four hours of its occurrence ;

(9) after damage has taken place, not to make any change in the state of the damaged product without the permission of the Institute and at any time other than the usual time of harvest ;

(10) to undertake, upon his own responsibility, in the case where the harvest is near at hand, only such work in connection with the damaged crop as is designed to prevent further damage, and to give notice at once to the Institute ;

(11) in case of damage, to facilitate the work of estimating the extent of such damage, and furnish to the Institute all the information it may require.

The Institute is bound to communicate to the person proposing insurance, in writing or by telegram, within twenty-four hours from the receipt of the proposal, its decision to refuse the proposal. Should it fail to do so, the insurance is regarded as coming into force on the midday following the receipt of the proposal. In the case where damage by hail occurs before the expiration of this period, the insurance is admitted only if the resulting damage is less than half the total value of the crop.

The insurance ceases to be in force :

(a) In all cases (1) if the produce is removed from the holding where it was cultivated ; (2) if the normal date for the harvesting of the crop in question is exceeded by 8 days ;

(b) Within the above-mentioned limits (1) for stalk plants (wheat, barley, oats, Indian corn, etc.), oleaginous plants and beets from the tenth day after the crop has been cut, mown or reaped ; (2) in the case of vineyards when the fruit has been separated from the vine ; (3) for all other plants as soon as the cease to be planted in the soil.

Article 48 of the conditions of insurance lays down that if any circumstance arises which absolutely impedes the observance of the limits above prescribed, then the limits are extended by the time during which action has been impeded.

(b) *Settlement of claims.* If the insured person has communicated information of the occurrence of damage in due time, the Institute must fix a limit of time for the estimation of the damage, except in the case where the information communicated is considered insufficient. In any event the Institute must inform the insurer as to its decision within 48 hours from the receipt of the notice of damage. The limits referred to above in relation to the validity of the insurance must be considered also as the limits for the estimation of damage.

The insurer must be asked to be present at the estimation of the damage, but the estimation shall take place whether he be present or not.

For damage by hail not exceeding 6 per cent. of the sum for which the damaged holding is insured the Institute will not pay compensation. In addition, Article 43 of the conditions of insurance fixes the following exemptions from compensation :

For damage:

From	7 to	9 $\frac{0}{10}$	of the sum insured,	2 $\frac{0}{10}$ exempt
..	10 ..	10 $\frac{0}{10}$	.. .. .	3 $\frac{0}{10}$ ..
..	20 ..	20 $\frac{0}{10}$	.. .. .	4 $\frac{0}{10}$ ..
..	30 ..	30 $\frac{0}{10}$	.. .. .	5 $\frac{0}{10}$ ..
..	40 ..	40 $\frac{0}{10}$	.. .. .	6 $\frac{0}{10}$ ..
..	50 ..	50 $\frac{0}{10}$	.. .. .	7 $\frac{0}{10}$ ..
..	60 ..	60 $\frac{0}{10}$	.. .. .	8 $\frac{0}{10}$ ..
..	70 ..	70 $\frac{0}{10}$	.. .. .	9 $\frac{0}{10}$ ..
..	80 ..	80 $\frac{0}{10}$	.. .. .	10 $\frac{0}{10}$ ..
..	90 ..	100 $\frac{0}{10}$	.. .. .	11 $\frac{0}{10}$ ..

But no deduction is made from the expenses incurred for putting the crop to rights, for the threshing, the carriage to market, etc. or from the cost of the valuation.

Dr. Rohrbeck the well-known student of agricultural insurance is of opinion (1) that the scale of exemptions adopted by the Institute encourages the members to claim when the damage is very small, to the detriment of claims which are really entitled to compensation. According to him it would be better to fix the limit of claims and of exemptions at one figure, say 10 or 12 per cent. Generally speaking, the exemptions are designed to discourage the making of trivial claims in connection with which the expenses are out of proportion to the amount involved.

Where stalk plants are damaged by hail before the fruit has formed, in such a way that the apparent damage is equal to at least two-thirds of the sum insured, then the Institute, at the request of the member, must proceed without loss of time to an estimation of the damage, whenever it is possible to undertake a second cultivation of the same crop or of some forage crop, and secure a yield. In such cases the Institute is entitled to deduct, from the amount of the indemnity payable, the net yield of the second crop.

The acceptance of the policy is not a proof of, and does not establish a legal presumption of, the accuracy of the data contained in the policy itself. In the case of damage, therefore, the Institute is entitled to make any enquiry in connection with the loss which it may consider advisable. The member is bound to supply the Institute with complete and accurate information upon any question relating to the ownership of the holding, the yield, or the extent of the damage. At the request of the Institute he must establish the facts by every means in his power, presenting for inspection the farm books or other documents which may assist in establishing the facts as to the sowing and the harvest.

When the insured person is dissatisfied with the result of the first valuation he may demand a second, provided that in the meantime no change has been made in the state of the crop. The cost of any such re-

(1) *Assicuranz. Jahrbuch*, 85 Jahrgang, Wien, 1914, Verlag Halm und Goldmann.

valuation must be borne by the member when no increase in the amount of compensation results from it. In the same way the Institute may, at any time before the product is removed from the holding, order a second valuation to be made and fix the amount of the indemnity on the basis of this second valuation.

#### § 4. THE TRANSACTIONS OF THE INSTITUTE IN 1913.

As is shown in the report of the Directing Board of the Lower Austria Insurance Institutes, presented to the Diet of the Archduchy of Austria under Hans on June 24th, 1914, the financial and economic working of the Institutes was favourable, in spite of the fact that 1913 was a year of serious disturbance of the national economy. The growth of the Hail Institute from its foundation in 1899 up to the year 1913, is shown in the following table:

TABLE I. — *Growth of the Lower Austria Institute from 1899 to 1913.*

Year	Number of members	Amount insured	Gross premiums	Claims	Financial results	
					Profits	Losses
					Crown	
1899 . .	5,146	6,330,948	106,718	34,843	120,810	--
1900 . .	4,688	5,411,600	94,161	150,477	48,196	--
1901 . .	7,674	10,400,074	170,508	150,681	87,418	--
1902 . .	8,492	12,443,019	184,079	291,745	21,308	--
1903 . .	10,060	13,836,276	221,807	222,876	45,870	--
1904 . .	14,936	16,434,974	276,929	90,123	233,290	--
1905 . .	11,196	15,353,139	237,698	411,241	--	6,878
1906 . .	13,620	17,991,214	300,110	354,476	11,626	--
1907 . .	11,766	10,581,785	281,912	391,235	--	9,440
1908 . .	13,029	17,202,693	362,043	365,468	67,704	--
1909 . .	11,741	16,464,856	310,828	772,384	--	146,652
1910 . .	11,323	14,380,158	110,382	635,468	--	16,648
1911 . .	12,588	17,930,403	404,652	427,821	45,918	--
1912 . .	61,233	16,641,292	374,141	252,510	101,296	--
1913 . .	10,307	15,439,040	350,029	359,700	34,419	--

During the fifteen years of its activity the Institute has paid out in claims the sum of 4,910,980 crowns, which is proof that, in spite of the competition of private undertakings, the Institute has become an important

factor in the economic and agricultural development of the region. The diminution to be noted in the last two years in the number of members, the amount insured, and the premiums received, is explained by the serious crisis through which the wine growing industry is passing. When the usual time for concluding the contract arrives, many of the growers have already lost all hope of a good harvest, and therefore renounce their insurance.

In 1913, the Institute received in premiums and supplementary charges the sum of 369,531 crowns, while it paid in claims 328,505 crowns. The Institute does business in 1,503 communes; the insurances in force numbered 11,818, and the number of policies, 10,397. The difference is explained by the fact that a single policy often covers a number of persons. The amount insured was 15,439,040 crowns; the premiums received, 350,029 crowns, to which must be added 19,502 crowns derived from contributions to the reserve fund and to the expenses of management. During the year, 3,235 cases of damage were reported from 430 communes, in connection with which, claims amounting to 378,505 crowns were paid, this amount including the cost of the valuations. The whole amount was paid by the month of October.

The figures which follow are interesting. They show the proportion of insurance for the different products, as well as the premiums received and the claims paid for each class.

Class	Products insured	Amount insured	Premiums received	Claims paid
1	Grasses, clover and forage crops . . . .	47,570	417.71	9.75
2	Wheat, rye and barley . . . . .	10,437,849	213,390.21	270,000.23
3	Oats, legumes, maize, beet crops, mixed cereal crops, cabbages, Brussels sprouts	4,485,343	106,450.29	72,154.70
4	Oleaginous plants, textile plants, millet, grasses and forage plants for seed . .	77,590	3,287.45	3,793.30
5	Beet for seed, and Indian corn . . . .	1,098	73.91	1.25
	Vines . . . . .	369,260	24,901.53	21,777.90
6	Vegetable-garden produce . . . . .	10,239	1,367.94	1,657.70
	Fruits . . . . .	4,100	240	32.01
	Total . . . .	15,439,040	350,029.04	378,500.61

THE LOWER AUSTRIA HAIL INSURANCE INSTITUTE

51

From this table it appears that the mean percentage of the premium to the sum insured is 2.267 while the percentage of the claims is 2.452. In the previous year (1912) the corresponding percentage were 2.488 and 1.517.

TABLE II. — Profit and Loss Account of the Institute for 1913.

Payments		Receipts	
(1) Claims, including valuation expenses	337,942.85	(1) From the previous year's reserves:	
Reinsurance payments . . . . .	188,971.43 188,971.42	Reserve fund . . . . .	573,838.01
(2) Commissions . . . . .	13,977.35	Fund for the compensation of value of securities.	152 573,980.01
(3) Current expenses of management . . . . .	36,086.81	(2) Reserve for current risks . . . . .	92.03
(4) Rates and Taxes . . . . .	2,560.34 53,124.73	Contribution from reinsurers . . . . .	46.31 46.32
(5) Bad debts . . . . .	442.26	(3) State aid . . . . .	80,000
(6) Lost on the depreciation of securities . . . . .	16,800 16,800	(4) Premiums received	350,029.04
(7) Reserve for current risks . . . . .	562.76	Reinsured . . . . .	175,014.52 175,014.52
Contributed by reinsurers . . . . .	281.38 281.38	(5) Income from investments:	
(8) Amount of the reserves at the end of the year:		Interest on securities and on current account transactions . . . . .	26,202.87
Reserve fund . . . . .	573,828.01	Interest on cheques . . . . .	33.40 26,241.27
Fund for the compensation of value of securities . . . . .	154 573,980.01	(6) Other receipts:	
(9) Profits . . . . .	35,410.38	Levied for the reserve fund . . . . .	5,972.01
		Contributed to the management expenses . . . . .	6,765.05 12,737.06
Total . . . . .	868,010.18	Total . . . . .	868,010.12



TABLE III. — *Balance Sheet of the Institute for 1913.*

Assets			Liabilities		
(1) Cash in hand . . .	1,106.09	—	(1) Reserve fund . . .	—	573,828.01
(2) Credits with banks			(2) Compensation fund . . .	—	132
and savings banks . . .	3,684.60	—	(3) Reserve for current		
(a) Post office sav-			risks . . . . .	562.76	—
ings bank . . .	—	—	Reinsurance con-		
(b) Credit institutes	196,716.90	201,507.68	tribution . . . . .	281.38	281.38
(3) Securities at the cur-			(4) Adverse balance of		
rent price on the			reinsurance account . . .	—	281.35
exchange at the end			(5) Creditors . . . . .	—	4,277.86
of the year . . . . .	3,997.35	—	Profits on wor-		
	3,440	4,031.75	king . . . . .	—	34,419.30
(4) Bills . . . . .		1,857.89			
(5) Credits with agents					
and members of the					
Institute . . . . .	—	6,510.19			
(6) Various debtors . . .	—	189.25			
	—	613,240.01		—	613,240.01

From the profit and loss account we see that the working expenses amounted, in 1913, to about 36,586 crowns, of which 25,515 was paid in salaries to the Institute staff; 2,715 in stationery, etc.; 3,580 was paid for work done outside the Institute; 2,197 in postage and telegrams. With respect to the investment securities which, as may be seen, amount to 245,775 crowns, it may be noted that 245,775 represent the value of 41 mortgage securities of the Lower Austria Mortgage Credit Institute; 76,410 refer to 139 shares in the city of Vienna loan of 1898; 77,550 represent the value of 39 shares in another Vienna loan (*Verkehrsanlagen*) of a nominal value of 94,000 crowns; and, lastly, 3,440 crowns are accounted for by the interest on these securities.

The profit on the year's working in 1913 amounted, as has been said, to 34,419 crowns, and this amount was allocated in its entirety to the reserve fund, which increased from 573,828 crowns on 31st December, 1912, to 608,247 crowns on 31st December, 1913.

The annual reports of the Institute contain, finally, statistics as to the frequency and gravity of hailstorms. In the months from May to September, for example, the days on which hailstorms occurred resulting in claims

for damage, numbered, in 1912, 40 and, in 1913, 42. In 1912, the hailstorms were much more frequent and more serious than in 1913. In the first year they numbered 3,235, with damage to the extent of 378,505 crowns, while in 1913 they numbered 2,625 with a total damage of 252,540 crowns. In order to give an idea of the rush of work which at certain seasons must be undertaken by a hail insurance institute in connection with the rapid and equitable valuation of damage, it will suffice to mention that, in 1912, in a single day of storm — June 6th — 720 claims were sent in for a total of 108,177 crowns. On August 5th, 1912, there were 541 claims; on August 2nd, 1913, there were 576 for a total amount of 49,845. — and so on. In 1912, the most severe hailstorms, involving claims for 205,482 crowns, occurred in June. In 1913, on the other hand, there were in June only 4 days on which hail fell, doing damage to the extent of 6,209 crowns, and in that year storms were most frequent in August, with 15 days on which hail fell, and a total damage of 137,997 crowns.

Hail represents, from every point of view, a highly variable risk. In 1913, the area affected included 52 count districts, while in the previous year only 41 were affected. The frequency within the different districts also fluctuates greatly from year to year; for example the district of Kirschlag, in 1912, was visited by storm only four times, while, in 1913, it was visited by storm on ten occasions.

We see, therefore, that the Lower Austria Hail Institute is working under a number of difficulties, due not only to the competition of private enterprises and the general economic conditions of the country, which in recent years have been by no means favourable, but also to the seriousness of the risk which it assumes. From what we have said above it may fairly be concluded that the Institute is meeting a very real need in Austrian agriculture.



## Part III: Credit

### ARGENTINA.

#### AGRICULTURAL CREDIT AND THE NEW LAWS REGARDING WARRANTS AND AGRICULTURAL PLEDGE.

##### SOURCES :

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LA NACIÓN, Buenos Aires.

LA RAZÓN, Buenos Aires.

##### INTRODUCTION.

The question of agricultural credit has for some time been the object of special consideration in the rural circles of the Republic of La Plata.

While land credit has of late developed in this country to the point of causing numerous difficulties from the immoderate use made of it, it may be said that agricultural credit, in the true sense of the term, namely as the sole support of the simple peasants, is as a rule non-existent. Now, when we consider that in a country formed by colonisation, like Argentina, it is of vital importance to put the agriculturist in a position to apply his energies to the cultivation and exploitation of the land, we shall readily understand that it is most urgent to institute agricultural credit in the Republic, this being the sole method of attaining the object mentioned above.

Numerous bills aiming at solving this question have been laid before the Parliament — those presented by M. Lobos, former Minister, and M. Fiers, Deputy, deserving special mention — but either on account of the

difficulties attending their execution, or for reasons of a political and administrative character, none of these bills were converted into legal enactments. It is, however, necessary to point out that most of these bills presupposed the creation of special credit institutions or establishments, and that private capital absorbed by more advantageous investments would with difficulty have been prevailed upon to provide the sums necessary for their carrying out.

Further, the Public Authorities were of opinion that the best method of solving the problem of agricultural credit for the moment, and that most practicable for the agriculturist and most likely to attract private capital, is based on the warrant. This latter representing a real value is an effective guarantee of the credit granted to the agriculturist when his crops are stored and he is in need of this credit, in order not to be obliged to sell them under the pressure of the engagements he has contracted. Firm in this conviction, the Public Authorities accepted the bills of MM. Gallo and Zeballos, deputies, and passed the legislative measures establishing loans on warrants and on agricultural pledge.

The system of warrants on produce deposited in warehouses authorized to give certificates which make possible, by means of mutual guarantees, the carrying out of the operations of the consignment and storing of the produce and the negotiation of the document guaranteeing these loans on security, enjoys great popularity, in view of the fact that the credit rests upon values which are tangible and are safer than personal guarantees.

The greatest difficulty presented by this system of credit on warehoused produce consists in its necessitating technical installations which admit of ensuring to the warrant an industrial value determined by the classification of the produce, its conservation and the facility of keeping it. It is to the absence of these undertakings and these installations that must be attributed the fact that the warrant has not been before established spontaneously in Argentina for agricultural transactions seeing that it cannot inspire confidence, if it is not supported by enterprises whose guarantee assures the security of this form of credit. If this condition, which is indispensable to the warrant, is wanting, it is impossible to negotiate it, for no one can have confidence in a tangible value if its classification and the conservation of the produce are not guaranteed.

The provisions enacted by the Public Authorities answer this requirement, by providing that the authorized dépôts must possess the means and technical installations necessary for conserving and classifying and for ensuring the hygienic condition of the buildings, in order that the lender may entertain no doubts as to the security of his credit, a primary condition, if capital is to take up this class of operations.

But the credit represented by warrants, viz., credit on produce which is already harvested and stored, does not include, or resolve, the whole problem of agricultural credit, for it does not furnish the money required by the agriculturist for the cultivation of his land. In consideration of this requirement, the Public Authorities have established loans on agricultural pledge, that is to say, on the machines and agricultural implements, the live-

stock and all the moveable property employed in farming. In this manner the farmer is able to obtain the necessary funds for undertaking agricultural operations. *Per contra*, at the present time, for want of a law regulating these operations, the agriculturist is forced to have recourse to the *acoptador*, the *pulpero*, or some other money lender, who will make him on very disadvantageous and usurious terms a, so-called, friendly loan. The agricultural pledge having henceforth the form and guarantee of a legal operation regulated in a special manner, it will follow that these operations will take normal and moderate forms and will promote its execution.

This credit system based on industrial goods and values at the disposal of the agriculturist, offers an advantage over the personal credit granted by the banks, inasmuch as, by its guarantees and its conditions, it promotes the afflux of private capital, without which all the provisions relating to agricultural credit would be useless, until sufficient capital could be obtained to devote to this special purpose. For this reason, in drawing up the provisions of which we are speaking, great care has been taken to assign to this form of credit the same guarantees as in the case of the warrant.

To recapitulate: the credit obtainable at the present time by a small agriculturist in Argentina, before coming into his hands passes through those of a series of middlemen who rob him. The Government, by establishing the system of warrants and agricultural pledges, purposes to remove this inconvenience by inducing the capitalist to transact directly with the agriculturist the operations which he now effects through the channel of these intermediaries.

We will now set forth the principal provisions of laws Nos. 9643 and 9644 of October 15 and 19, 1914 dealing respectively with warrants and agricultural pledges.

## § 2. LAW 9643 CONCERNING WARRANTS.

This law provides, in the first place, that the credit operations on fruit or agricultural produce, the products stock-breeding, forestry and mining, or national manufactures placed in the fiscal warehouses, or those belonging to third parties, shall be made by means of "deposit certificates" and of "warrants."

Private stores and depôts, according to the present law, can only give deposit certificates and warrants after the previous authorisation of the Executive Power, which can only be granted after giving evidence of: (a) the capital with which they are established; (b) the conditions of security, the measures taken against fire and the causes of deterioration affecting buildings and the insurance relating thereto; (c) the form of management, the system of supervision, of classification and of the hygienic measures which will be adopted in the stores; (d) the maximum charges to be levied for deposit and other operations connected therewith, such as insurance, hand-

ling of cereals, cleaning and drying seeds, etc.; (e) the obligations of the management relating to the entry and exit of goods, or produce, the conservation of the latter, and the responsibility in case of loss or damage; (f) the names and addresses of the representatives of the company or depositary.

It is absolutely forbidden to the depositaries, to whom the present law refers, to buy or sell fruit or produce of the same kind as those mentioned in the deposit certificates or warrants, that they issue. The Executive Authority shall not grant the permission required by the preceding section to those who or shall withdraw it, should the case occur, if the prohibited operation has been carried out subsequently to the said authorisation.

Depositaries issuing warrants, who shall wish to discount, or negotiate this class of effects, shall only be permitted to do so with the authorisation of the Executive Authority and under such conditions as the latter shall determine.

The depositaries shall insure against fire, at the expense of the depositors, the goods received, in the manner determined by the regulations of the Authorities.

On delivery the fruit or produce deposited, the management of the store in question shall give, at the request of the depositor, a deposit certificate and a corresponding warrant, giving the date of despatch, the name and address of the depositor, the name of the store and the signature of the manager, together with the class of the produce, its quantity and weight, the class and number of the packages, their quality and condition, their approximate value and all information serving for their identification, according to the practice established in the trade of the respective kinds of produce, the amount for which they are insured, the name and address of the insurer, the length of time of the deposit, etc.

In order that the deposit certificates and warrants relating to fruit or produce deposited may be issued, it is necessary that :

(1) The said effects be insured, either directly by the owner, or by the medium of the depositaries issuing the said certificates, or warrants, in conformity with section 2, paragraph (d).

(2) That their value be not less than five hundred pesos of the national coinage.

(3) That they be free from all charge or legal seizure notified to the manager of the *dépôt* ; otherwise they shall be considered as non-existent.

The warrants shall always be non-transferable. The first endorsement of the deposit certificate, or of the warrant, as the case may be, shall be written on the back of the document in question ; it must for its validity be entered on the books of the depositary issuing it, within six days.

The effect of endorsement, as far as the deposit certificate is concerned, is the transfer of the ownership of the property to which it refers together with the charges that will be due in the case of the existence of a negotiated warrant, and if it is a question of the warrant, the credit rights of the said warrant.

Once the warrant has been negotiated, the amount of credit, the name and address of the lender, the date of its falling due and the place of payment